IS THERE LIFE AFTER MEDICARE? • SPARE TIRES CAUSE FLATS!

reason

Free Minds and Free Markets

February 1985 / $2.00

TURNING BACK THE TERROR

CAMBODIA'S ANTI-SOVIET GUERRILLAS

BY JACK WHEELER

THE GREAT MONOPOLY SCARE OF 1890

CAN SOCIETIES SURVIVE FREEDOM?

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

HOME HEALTH CLUB

SIDE LEG RAISE

INCLINED BENCH PRESS

LEG LIFT

Progressive weight training, report the physiologists who study exercise, is the fastest, longest-lasting way to reach peak fitness. Even better, it provides the greatest selectivity and control—you can tone and develop particular muscle groups to shape the body attractively. You can put on weight or take it off. It is a quick, challenging, enjoyable route to better fitness and the well-being and self-confidence that go with it. The new Vitamaster Station One 5000 provides the whole family with the benefits of a complete progressive weight training fitness program—in a minimum of space and at surprisingly affordable cost. More than 50 exercises work every muscle group in the body. Quick change-over between setup modes. Weight selection from 10 to 110 lbs. (additional weight stacks available). Many advantages over competing models: heavier duty undercarriage, 5-position inclined seat back, 2" high-density foam padded bench, 8-position handle bar, direct pull system in place of compound pull system that halves weight. Station One 5000 is wheel-mounted—removing one pin after a workout permits rollaway storage. Or fold it up where it stands—extends only 15" from wall. Comes complete with leg extension and curl bench attachments (extra with other systems), cushioned ankle strap and twist-pull ropes for $399.00 ($49.00) #A1252. Additional 50# weight stacks $79.00 ($19.95) #A12522 each. Adapter to permit freestanding use costs $179.00 ($14.95) #A12523.

FOR FASTEST SERVICE ON CREDIT CARD ORDERS PHONE OUR 24-HOUR TOLL-FREE NUMBER

800•228•5505

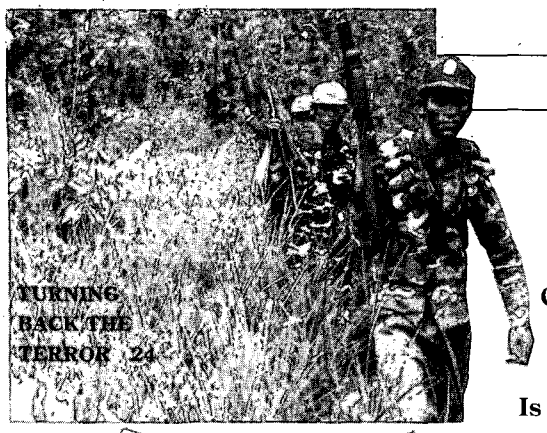
IN NEBRASKA CALL 800•642•9900

TOOLS FOR LIVING DEPT. RSB15
400 S. DEAN ST.; ENGLEWOOD, NJ 07631
☐ Send ___ Home gyms @ $399.00 ($49.00 S&H)
☐ Send ___ add'l. 50 lb. weight stacks @ $79.00 ($19.95 S&H)
☐ Send ___ freestanding adapters @ $179.00 ($14.95 S&H)
Enclosed is a check or money order for $_____ payable to Tools for Living.
WE ALSO ACCEPT ☐ MASTERCARD ☐ VISA ☐ AMEX
EXP. DATE
ACCOUNT #
SIGNATURE
SEND TO:
ADDRESS:
CITY STATE ZIP

FEBRUARY 1985 / VOL. 16, NO. 9

reason

Free Minds and Free Markets



TURNING BACK THE TERROR 24

CHAOS OR COOPERATION? 42

FEATURES

Fighting the Soviet Imperialists: The Khmer in Cambodia — *Jack Wheeler* — An investigative reporter goes to Cambodia, where an unusual rebel alliance is fighting to turn back Soviet expansionism. **24**

Competition (Except Where Prohibited By Law) — *Thomas J. DiLorenzo* — The antitrust laws were designed to protect consumers? The historical record shows otherwise. **34**

Is There Life After Medicare? — *John C. Goodman* — Government officials deny it, but Medicare is on its last legs. There's a fairer alternative, if only the politicians would allow it. **38**

Could Hobbes Trounce Hayek? — *Joseph P. Martino* — A classic puzzle in political thought is pondered via computer programs—with surprising results. **42**

DEPARTMENTS

LIFE & LIBERTY

I Have Seen MTV, And It Is Literate — *Pamela Regis* — Look again—those "weird" music videos are the lyric poems of TV. **50**

THE BOOK CASE

Disarming the Prophets of Doom — *William Tucker* — *The Doomsday Myth* By Charles Maurice and Charles W. Smithson **52**

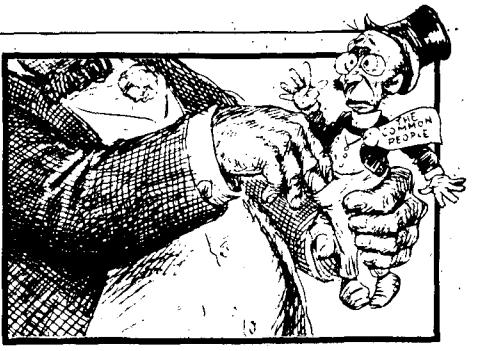
Dissolving the Nuclear Suicide Pact — *Gregory Benford* — *A Defense That Defends* By Lt. Gen. Daniel O. Graham and Gregory A. Fossedal **53**

Beware the Self-Styled Tax Advisor — *John H. Northrup* — *The Social Security Swindle—And How Anyone Can Drop Out* By Irwin Schiff **54**

Can the Soviet Bear Be Contained? — *Earl Ravenal* — *Beyond Containment* Edited by Aaron Wildavsky **55**

Juvenile Injustice — *Stanton E. Samenow* — *Find a Safe Place* By Alex Lazzarino and E. Kent Hayes **57**

Power Without Principle — *Jeff Riggenbach* — *Bernard Baruch: The Adventures of a Wall Street Legend* By James Grant **57**



ANTITRUST IS ANTICONSUMER 34

Doing in the Deficit Editorial/*Robert W. Poole, Jr.* 6

Spare Tires Cause Flats! Viewpoint/*Clayton Cramer* 46

How to Win the Paper War Taxes/*Timothy Condon* 47

Cross-Examining the Law Spotlight/*Patrick Cox* 48

Notes 4
Letters 8
Brickbats 10
Trends 12
Rudebarbs 59
Further & More 66

Cover illustration by Daryl Dane/Photograph by Jack Wheeler

REASON (ISSN 0048-6906) is published monthly except combined June/July issue by the Reason Foundation, 1018 Garden St., Santa Barbara, CA 93101. Second class postage paid at Santa Barbara and additional mailing offices. **Postmaster:** send address changes to REASON, Box 27977, San Diego, CA 92128.

CORRESPONDENCE: Send *new subscriptions* and *address changes* (include address label and new address) to REASON, Box 27977, San Diego, CA 92128. 619/485-9623 or 566-6947. Allow six weeks. Send *manuscripts* (for return, include SASE), *letters*, and *classified ad orders* (with payment) to REASON, Box 40105, Santa Barbara, CA 93140-0105 805/963-3893.

COPYRIGHT © 1985 by the Reason Foundation. All rights reserved. Reproduction or use, without permission, of editorial or graphic content is prohibited. Opinions expressed in signed articles and columns do not necessarily represent the views of the editors or of the trustees, officers, or advisory board of the Reason Foundation.

reason

Editor and Publisher
Robert W. Poole, Jr.

Editor-in-Chief
Marty Zupan

Senior Editors
Manuel S. Klausner, Tibor R. Machan

Managing Editor
Eric Martí

Assistant Editor
Paul Gordon

Book Review Editor
Lynn Scarlett

Art Director
Laura Main

Contributing Editors
Doug Bandow, Bruce Bartlett, Tom Bethell, Samuel Blumenfeld, David Brudnoy, Joe Cobb, Timothy Condon, James Dale Davidson, Thomas Hazlett, Michael McMenamin, Alan Reynolds, Jeff Riggenbach, Peter Samuel, Thomas Szasz, William Tucker, Walter Williams

Foreign Correspondents
Tahsin Alam/*Bangladesh*, Stefan Blankertz/*West Germany*, Theo E. Brenner/*Switzerland*, Bruce Evoy/*Canada*, Enrique Ghersi/*Peru*, Ole-Jacob Hoff/*Norway*, John-Henri Holmberg/*Sweden*, Hubert Jongen/*The Netherlands*, Henri Lepage/*France*, John C. Loulis/*Greece*, Leon M. Louw/*South Africa*, Julio Marquez/*Mexico*, Antonio Martino/*Italy*, Toshio Murata/*Japan*, M. Perez/*Spain*, Jose Italo Stelle/*Brazil*, Fritz Thomas/*Guatemala*, Mark Tier/*Hong Kong*, Michael van Notten/*Belgium*, Eben Wilson/*Great Britain*

Departments
Timothy Condon/*Taxes*, Patrick Cox/*Spotlight*, Mark Edward Crane/*Brickbats*, Randall K. Hylkema/*Rudebarbs*, Robert W. Poole, Jr., Paul Gordon, and Eric Martí/*Trends*, Mark Skousen/*Investments*

Controller
Katherine E. McKenzie

Advertising Director
Rob McGee

Circulation Director
Becky Hitchcock

Administrative Assistant
Sandi MacDonald

Staff
Ashley Brooks

Typesetting
Jean Graphics

ADVERTISING: For display advertising contact Rob McGee, 1018 Garden St., Santa Barbara, CA 93101. (805) 963-5993. For classified ads, see Classified page, this issue.

SUBSCRIPTIONS: Subscribers are members of the Reason Foundation. Membership is $24.00 per year. Outside United States add $8/year for surface; $36/year airmail. Payment from Canada: US dollar postal money orders only. Send orders to REASON, Box 27977, San Diego, CA 92128.

BACK ISSUES: Obtain list from REASON Back Issues, Box 40105, Santa Barbara, CA 93103. Vols. 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Vols. 5 and up are available from Xerox University Microfilms, 300 N. Zeeb Rd., Ann Arbor, MI 48106. Indexed in *America: History and Life; Historical Abstracts; Political Science Abstracts; Public Affairs Information Services Bulletin;* and *Public Issues Index.*

NOTEs

Several readers have criticized REASON's investigative series on anti-Soviet freedom fighters, written by Jack Wheeler, on the grounds that the implicit message of these articles is that US taxpayers' money should be spent to assist these groups. Reasonable people can disagree on such a question of foreign policy, but our objective is simply to let people know, first-hand, about this new phenomenon—of valiant, patriotic people risking everything to free their homelands from Soviet imperialism. This new kind of liberation movement, as Wheeler has been documenting, ranges from Nicaragua and Angola to Afghanistan and Cambodia.

But for readers opposed to government aid to these freedom-fighters, there *are* private, voluntary alternatives. We have previously mentioned the efforts of the Caribbean Commission (732 North Blvd., Baton Rouge, LA 70802). This group aids the families of Nicaragua's anti-Sandinista rebels by providing basic items such as soap and toothpaste.

Now we've learned of the Sponsor-a-Guerrilla project of the Khmer People's National Liberation Front. (KPNLF is the subject of the cover story in this issue, the latest in Jack Wheeler's series.) Borrowing a leaf from Save the Children's book, the KPNLF allows an individual to sponsor a specific member of its anti-Soviet force. For $10 a month, a freedom-fighter can be provided with two uniforms, a knapsack, shoes, socks, hammock, etc. And the KPNLF promises to send a photo of the sponsored guerrilla and a letter of thanks. (KPNLF, c/o Kok Sar, P.O. Box 22-25, Ramintra Post Office, Bangkok 10110, Thailand.)

Last month's cover story on the struggle of space transportation entrepreneurs against NASA's monopoly has also prompted some critical comment, to the effect that REASON shouldn't be attacking the space agency because "it's the only space program we've got" and private enterprise will eventually prevail anyway, once NASA has laid all the groundwork. I can understand the emotions underlying this criticism; I count myself as an ardent, lifelong space enthusiast. As the "Space Entrepreneurs" story was in final editing, in fact, I was at Cape Canaveral, just after the successful November Shuttle mission. Reliving the first flight of the Columbia on the huge IMAX screen and in incredible Dolby sound at the Kennedy Space Center brought a lump to my throat and tears to my eyes. Even there, however, I reminded myself that as magnificent an achievement as the Shuttle is, in isolation, NASA's determination to make it the monopoly space transportation system is *not* in the best interest of healthy development of space. So long as NASA remains in control, distorting the economics of space development, venture capitalists will get the wrong signals about the true costs and rewards of going into space, as the article argued.

—R.W.P.

Back in 1979, Bob Poole and I were devastated when REASON's art director at the time, Don Wood, announced that he was bowing out of the free-lance job to pursue his heart's desire—illustrating children's books. (Poole and Wood and I were all of REASON's staff at the time.) But REASON survived—and Don has prospered in an arena in which it is very difficult to make it. In the intervening years, several of his works have been displayed at the New York Museum of Fine Art. And in December his latest book won the kudos of the *New York Times*, which named it one of the 10 best illustrated children's books of 1984. *The Napping House* (Harcourt Brace Jovanovich), was a joint effort by Don and his wife, Audrey, who wrote the text. We never thought we'd be glad Don left REASON . . . but it's such a pleasure to see a friend do well.

The letters have been streaming in from readers taking us to task for doing the investigation of Texas's spree with industrial development bonds ("How the Rich Get Richer in Texas," Dec.). Some of the letters, and an editorial reply, can be found on page 8 of this issue.

Correction: In John McCarthy's review of *Weapons and Hope* in the December issue, it was incorrectly stated that Helen Caldicott was the founder of the antinuclear group Physicians for Social Responsibility. This was an error on the part of REASON's editors, not Professor McCarthy. Caldicott, the author of the new book *Missile Envy*, is very active in PSR but was not a founder.

—M.Z.

★ New ★ New ★ New ★

Unleashing the Dynamite of

SILENCE

to gain

Strength ★ Advantages ★ Leverage ★ Victory

Quick — Easy — Powerful
Today and Always into the Future

A Powerful Shield / A Powerful Weapon

YOUR DOCUMENT
For the Use of
SILENCE
as the
ULTIMATE PROTECTOR
of
INDIVIDUAL RIGHTS
by
Carl Watner

Now available is a powerfully leveraged, 12,000-word, researched and documented weapon for defending yourself against the threatening forces of government. This work was conceived, developed, and written by Carl Watner whom Dr. Frank R. Wallace considers "the most potent and innovative writer on the value-questing scene today."

Those 32-pages of crucial information will serve and protect you all your life for a total cost of $9.95. That price is less than the few pages of just one issue of most financial newsletters whose value, at best, lasts but a few days or weeks before a new fix is needed.

I & O Publishing Company
557 California St., Dept. LRM
Boulder City, Nevada 89005

Please send me **SILENCE**, an essential, 32-page information package for $9.95 plus 90¢ airmail shipping.
☐ Check or money order enclosed. (Payable to I & O Publishing Company.)
☐ Charge my credit-card account. (All major cards accepted, include expiration date.)

Name _____

Street _____

City _____ **State** _____ **Zip** _____

(offer valid for 20 days)

*This exclusive information will be marketed to attorneys as well as to all wanting protection against government coercion. If the information in this document is not worth hundreds of times its cost, return it for a full refund.

EDITORIAL

Robert W. Poole, Jr.

Doing in the Deficit

The advocates of big government are at it again. Their latest ploy to permanently increase the size and power of government is the claim that we *must* have a tax increase in order to reduce an unending stream of federal budget deficits. Indeed, dismay over the deficit projections is leading even reasonable people to concede that, while spending cuts are needed, there's no way to balance the budget without a tax increase, as well.

This ostensibly neutral conclusion is actually an endorsement of bigger government. It ignores the fact that federal revenues have grown enormously over the past four years, keeping pace with the growth of gross national product (GNP). The problem is simply that government spending grew even faster, as Congress proved unable to discipline itself and stop giving away our money to every interest group in sight.

Numerous analyses during the past few months have shown that modest, achievable reductions in the growth of federal spending, combined with normal postwar rates of economic growth, can eliminate the deficit entirely in a few years, with no tax increase.

- New York economics consultant A. Gary Schilling, for example, shows what happens if the growth of federal spending is limited to just the rate of inflation (that is, zero *real* growth) for four years. Assuming real GNP growth of 4 percent a year and modest (3 percent) inflation, the deficit would be nearly zero by 1990. And if interest rates declined significantly, a balanced budget could occur as early as 1988.
- Alan Reynolds of the economic consulting firm Polyconomics uses slightly different assumptions—4.2 percent real GNP growth, interest rates down by two percentage points, inflation at 3.8 percent, and much more modest spending restraint—to reach a balanced budget by 1988.
- Even a *two-year* freeze only on *non*defense discretionary spending (that is, *excluding* Social Security and Medicare, as well as the defense budget) plus 4 percent GNP growth would shrink the deficit to $58 billion by 1989, according to a special study by the Congressional Budget Office.

The key to achieving any of these results is to prevent government from growing faster than the economy. And the two essentials for doing that are (1) to control federal spending, (2) to resist incentive-killing tax increases.

How realistic is the 4 percent annual growth assumption? For the two decades from 1948 through 1968, average growth was 3.9 percent per year. From 1960 through 1969, it averaged 4.7 percent, declining to 3.7 percent for 1970-79. Thus, the Congressional Budget Office's baseline projection of 3 percent average annual growth for 1980-89 is in fact a pessimistic view.

Some analysts think the economy can grow even faster than the 4 percent range. Richard Rahn of the Chamber of Commerce and consultant Pierre Rinfret argue that tax cuts and deregulation have fostered major increases in productivity that increase the economy's real growth potential to between 5 and 6 percent a year. Such growth could produce a 1989 federal budget *surplus* of nearly $100 billion, according to Rahn's analysis.

The latest Washington buzzword is a "one-year spending freeze"—holding expenditure levels constant for a year to allow revenues time to catch up. The advantage of this tactic is that it short-circuits the special-interest constituencies for each particular spending program, by going after all programs at once. A significant drawback is that most of those who support a freeze do so except for some major pet programs—*except for* the defense budget, say, or *except for* aid to the poor, or *except for* Social Security.

A more basic problem is that a spending freeze leaves every single spending program in place, to rise up again the following year. Yet the sad fact is that there are hundreds of programs for which there is no real justification and which should be *eliminated*, not frozen. What kind of fantasy world do we live in where we pretend that the federal government has enough extra revenue to be able to "share" $4.6 billion of it with state governments each year? Why should $7 billion of our tax dollars be loaned or given to middle-class college students each year? Why should $20 billion be doled out to farmers not to grow crops? On what grounds should a handful of urban transit riders (or an even smaller handful of Amtrak riders) be able to get cheap rides at everyone else's expense? Questions like these could fill volumes, accounting for well over $100 billion of grants and subsidies each year.

Then there are the so-called entitlement programs—some $400 billion worth. Only about $60 billion of that is aid to poor people, where the recipient has to pass a means test to get aid. The other $340 billion goes to anyone: Social Security (all you have to do is be old, not poor), Medicare (same thing), and federal pensions (you have to have been a soldier or bureaucrat). All of these programs are out of control, paying out far more than their recipients ever paid in. They represent an open-ended claim on our children and their children—the kind of claim that prompted Peter Grace's ads showing a baby saddled with a $50,000 burden. While a freeze on these heretofore sacrosanct programs would be a welcome first step, all must be fundamentally reformed. It's high time Congress faced the issue—which they'll refuse to do if bailed out by another tax increase.

Finally, there are the hundreds of businesses that are run by the federal government. Some were identified by the Grace Commission: hydroelectric plants, military commissaries, the Washington, D.C., airports, veterans' hospitals. Others include huge commercial forests, grazing lands, the postal and weather services, printing plants, and hundreds more. A massive privatization program, on the scale of Margaret Thatcher's, should be drafted to sell off all these businesses, with the proceeds (as in England) applied to the national debt.

In short, there is no earthly reason for increasing the government's tax take. Just getting rid of a fraction of the federal government's vast assortment of subsidies and boondoggles would easily reduce federal spending below the level of federal revenues. And normal economic growth—if not hobbled by new taxes—will do the rest.

Robert W. Poole, Jr.

The Four More Years Survival Kit

It's a long way to January 20, 1989. That's why you must have the Four More Years Survival Kit: A flashlight. A map. A Who's Who. A magnifying glass. An early-warning system.

The flashlight will illuminate those traditionally shadowy corners of government. The map will guide you to the new ideas we're going to need.

The Who's Who will tell you about the important unknowns—who's in, who's out, and who should be in or out.

The magnifying glass will give you a close look at how things—good and bad—get done, how the machinery doesn't work. Why didn't the jobs bill create any jobs? Why doesn't an expensive antiaircraft gun work?

The early-warning system will keep you from being surprised—and unprepared. As George V. Higgins wrote in *The Boston Globe*, *The Monthly* "pencils in the coming months' agenda for editors and staffers at *Harper's* and *The Atlantic*, *Time* as well as *Newsweek*."

Send for your survival kit today: a seven-month subscription for $11 to the magazine *The New York Times* calls "lively... pitiless...indispensable... with a critical wit and steel-trap reporting." We'll get you through the next four years.

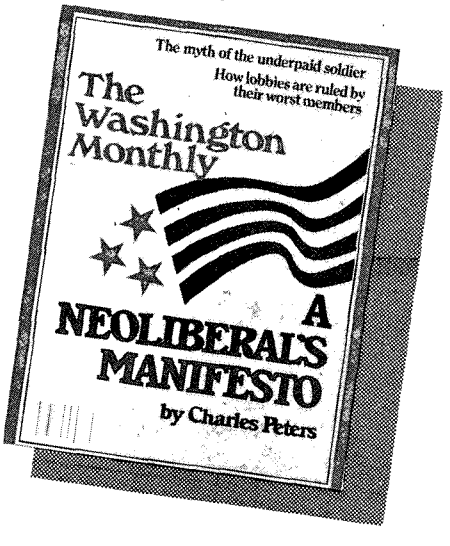
SPECIAL INTRODUCTORY OFFER!
7 for $11

Yes, I want to receive new ideas about politics, government, and the press every month and save over 35 percent off the newsstand price. Send me 7 issues for only $11.

☐ Payment enclosed ☐ Bill me
Charge my ☐ Visa ☐ Mastercard
Credit card no. _____
Expiration date _____
Signature _____
Name _____
Address _____
City _____
State _____ Zip _____

re25

The Washington Monthly
1711 Connecticut Ave. N.W.
Washington, D.C. 20009


The myth of the underpaid soldier
How lobbies are ruled by their worst members
The Washington Monthly
A NEOLIBERAL'S MANIFESTO
by Charles Peters

Letters

Tax Breaks Are Subsidies?

I am appalled at the logic Michael Berryhill displays in his article "How the Rich Get Richer in Texas" (Dec. 1984). He says that industrial development bonds (IDBs) are a subsidy to the rich because the interest off of these bonds is tax-exempt. By not having to pay taxes on this income, the owner of this bond is getting a tax cut.

Tax cuts are subsidies? If the government allows me to keep a little more of my own money, I am being subsidized? Next you will be telling me that if a thief decides not to rob me, he is giving me something!

Berryhill also makes the point that IDBs are bad because they distort the marketplace. But the present tax system we have also distorts the marketplace. I hope that one day we will be blessed with a much lower tax rate. But to get to this lower tax rate there first have to be tax cuts. It is pretty hard to visualize a tax cut that does not make some people unhappy. So when I see someone taking advantage of a tax "loophole" that I can't, I don't yell for his taxes to be increased; I yell for mine to be lowered.

Maybe the solution to the market distortion that IDBs cause is to make the interest from all bonds tax exempt. That would be the attitude I would have expected REASON to take.

Ronald Swerlein
Longmont, CO

Communicate with REASON. Box 40105, Santa Barbara, CA 93103. We appreciate receiving your letters typed double-space and limited to 200 words. Letters sent to REASON will be considered for publication (unless otherwise noted) and may be subject to abridgement or editorial comment.

The More the Merrier

Your article on Texan industrial development bonds is weak and fundamentally flawed. The IDB is an arrangement whereby the interest on a bond sold by a private borrower to a private lender is exempt from federal taxes. Every IDB is a partial restoration of somebody's right to be free of federal taxes. . . . IDBs are a step toward freedom. Their proliferation is highly desirable.

Bryan Coupal
Riverdale, MD

The editors reply: In a screwed-up world, things are never simple. The tax reduction in the case of IDBs goes to the bond *buyers*. But those aren't "the rich who are getting richer" in REASON's article. It's the developers, jeans makers, discount-store operators, and so on down the list, financing their enterprises via bonds that are low-interest because of the buyers' tax exemption—these are the big winners. But not every aspiring profit maker gets to take advantage of this cut-rate financing. IDB use is rationed—by politicians. It's an unsavory arrangement with predictable consequences documented in Michael Berryhill's article.

The local politicians love it, because they have goodies to dispense at no apparent cost. But there *are* costs, in opportunities foreclosed for less well placed enterprises, to take one poignant example. *A* could have built a hotel and made a go of it except for *B*'s getting a competitive advantage via a lower-interest loan for construction of a competing hotel. *B* didn't *take* anything from *A* that was rightfully his. But it's nevertheless a lousy result of a politicized market—and worth reporting as such, whatever should be done about it. Ultimately, yes, a truly free society. In the meantime, let's understand the often hidden consequences of a convoluted system.

Dissent on Cuba

As Bob Poole's sister, I can at least be thankful that he acknowledged the fact, in referring to "Miami's Cuban Miracle" (Nov. 1984), that "many Miami residents resented the 'invasion' of Cubans" (Notes). However, he did not live in Miami during the *main* influx of Cubans, as my parents and I did. The article by George Gilder is totally one-sided.

When the first few arrived they were pleasant enough, because there weren't many of them. But their numbers soon grew alarmingly, and they became rude and arrogant as they *took over* the city. They made no attempt to get along with or to get to know the American community. They set up their own little Cuba instead. Is it any wonder they were resented?

Yes, they set up businesses but employed only their own people (at least in the beginning) and spoke only Spanish in front of American customers in *our* stores when they knew English. The Cuban people could have done much to ease the resentment had their attitude been a bit different.

Laurie Poole
Fort Pierce, FL

Witness to a Miracle

As a native Miamian who spent his teen years witnessing the epochal changes brought about by the Cuban immigration in the decade of the '60s, the feature article by George Gilder, "Miami's Cuban Miracle" (Nov. 1984), brought tears of joy to my eyes. It has taken more than two decades for this story to be written, exploding the myth of the dependent immigrant further draining the social-service resources of a city.

As a high-schooler, I remember the terror-stricken faces of the immigrant teens as they entered school for the first day to face a xenophobic Anglo student body. I remember my parents agonizing over losing their jobs to immigrant labor.

In 1972, after an eight-year hiatus, I returned to Miami to work and live. Did the prophecies of doom uttered earlier by the fear-mongers materialize? No. I found a prosperous, vibrant city welcoming me back. I bought a home in "Little Havana" and lived among the industrious Cubans, watching the process of transformation take place around me. Those terror-stricken teens were prosperous bilingual citizens now with children of their own.

Another eight years has passed since my career has taken me to another southern city, Houston, with its own share of Latin immigration issues to face. I visit Miami occasionally and see the children of the children of the original refugees from the early '60s. Their language and customs are indistinguishable from the Anglos. Many cannot speak Spanish or choose not to.

This is the pattern of all immigration waves: the Italians, Irish, Poles, Germans, Jews, and more recently Mexicans. Each has enriched America with a rich cultural heritage, but not before encountering fierce social obstacles thrown in their way by fearful Americans. Perhaps now we can admit, for each mouth

(Continued on p. 59)

15 YEARS FOR ACCURACY IN MEDIA

Since 1969, Accuracy in Media has been hammering away at Big Media's errors, distortions and suppression of important stories. We didn't think to ask anyone to send us comments on our 15th anniversary, but here are some that have been volunteered that readers might appreciate.

BENJAMIN C. BRADLEE
Executive Editor, *Washington Post*

"(Accuracy in Media is) the name of a bunch of knee-jerk conservatives based in Washington who earn a pretty good living and a lot of notoriety hectoring the networks, The New York Times and The Washington Post. They are, in my opinion, a perversion of the words 'accuracy in media'. . ."

MIKE ZAGARELL, Editor, *Daily World*
(Organ of the Communist Party, USA)

"One of the organizations built in the Nixon years and used effectively today for this purpose (to take over the media) is a group known by the misnomer AIM, Accuracy in Media . . . In addition to organizing campaigns against specific writers, AIM also places condemnatory and redbaiting ads in papers, attacking the media for those few times it veers away from a pro-corporate stand."

DAVID BRINKLEY
Host of ABC's "This Week"

(Commenting on Irvine's charge that some journalists would have liked to have broken the secret of the Grenada rescue operation in advance)

"I think it is one of Reed Irvine's feverish fantasies, one of many I have heard from him. It is only slightly more ridiculous than a dozen others I have heard from him. I find it outrageous. I find it to be a lie, and I find it insulting."

Why Do They Hate AIM?

If you don't know, isn't it time you found out? You can get the *AIM Report* today for one year for only $15. That is 24 issues filled with information you won't get anywhere else, information you can rely on about the misdeeds of Big Media.

For $30, you will get the AIM Report by faster first-class mail, and Reed Irvine will throw in FREE an autographed copy of his book. *Media Mischief and Misdeeds.* Your tax-deductible contribution will also help AIM carry on it work of driving Ben Bradlee, Mike Zagarell and David Brinkley even further up the wall.

To: AIM, P.O. Box 28390, Washington, D.C. 20005
I want to join AIM and get the AIM Report. 1195
☐ $30 for 1st class delivery and a FREE book
☐ $15 for 3d class delivery
☐ Check enclosed. ☐ Bill VISA/MASTERCARD
Acct. #_____
Expires _____

Name _____

Address _____

City, state, zip _____

brickbats

The Social Security Administration is going bonkers as well as broke. It notified its district and branch offices to be on the lookout for people presenting phony hospital birth papers to obtain a Social Security card, which is a key to welfare benefits. Why the all-points bulletin? The bureaucrats are afraid that a Cabbage Patch doll may grow up and qualify for assistance. The doll craze spurred more than 100 hospitals to issue birth certificates to go with the dolls. Of course, the hospital papers say "Baby Doll Birth Certificates" and are signed with such names as "Dr. I.M. Happy and Dr. N. Good Hands." But SSA isn't taking any chances. Is this what Reagan meant when he said he's going to ferret out fraud in entitlement programs?

Clever church officials in Evanston, Illinois, had to find a way around the zoning board to extend a helping hand. An overnight shelter for the homeless in the basement of the First Baptist Church would violate zoning ordinances. So church officials now do a "prayer vigil." Needy people are invited to come in and pray—all night if they like.

Ah, glorious Sweden, where all of a citizen's needs are capably handled by the state from cradle to grave. Social welfare authorities want to take three-year-old Mikael Johansson away from his natural mother and put him in a foster home. Does the mother beat or neglect the child? Well, not exactly—it's just that she is too overweight to care for him properly, say the slim folks at the social-welfare agency. They contend that Inger Johansson's appearance would have an adverse effect on the child. In the brave new world of the welfare state, only the thin and beautiful will be allowed to have children.

The fur is flying in Allen Park, Michigan, because Tiffany Lumia won $400 worth of booze in a raffle sponsored by the city. Tiffany is a minor. Tiffany is also a two-year-old collie. Ronald Kozicki, a prelaw student who *didn't* win the raffle, says it's unfair. His bone of contention is that when city officials discovered that Tiffany's owner put the pooch's name in the raffle, they should have drawn another ticket so that a human could win it. It all seems pretty silly, but the whole dogfight is ending up in court. Kozicki may be the underdog in this case, but he's barking up the wrong tree. We're rooting for Tiffany.

The Air Force displayed some flabby thinking when it told a muscular sergeant to lose 26 pounds or get out of the service. Staff Sgt. Paul Poulin, a 23-year-old body builder stationed at Elmendorf AFB in Alaska, is considered "clinically obese" even though the 203 pounds packed onto his 5-foot-6-inch frame is mostly muscle. Poulin's immediate commander is trying to get the brass to trim down its bureaucratic attitude. "Poulin is in no way overweight and is one of the hardest working, most knowledgeable and physically fit people I've seen in 16 years in the Air Force," his captain said. Hmm, sounds like Poulin hasn't got a chance.

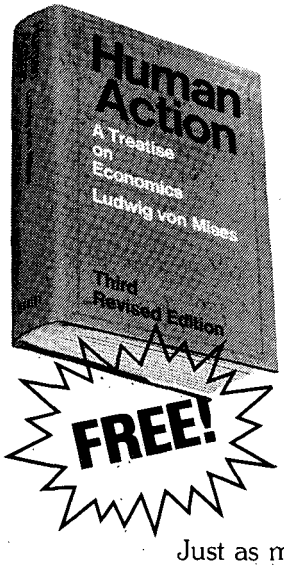
"SOME OF THE FLOCK ISN'T GETTING ENOUGH PASTURE—SO I'VE BROUGHT YOU A REDISTRIBUTION EXPERT...."

Chicago has somehow managed to survive for over 150 years without a "chief of protocol," but now, Mayor Harold Washington finds that his city must absolutely hire one—at $36,000 a year. The protocol chief is needed to plan dinners, flower arrangements, and entertainment when important folks drop by for a visit. The mayor's opponents say the city needs a chief of protocol like it needs a third head, but the mayor is undaunted. What Chicago really needs is a chief of the departed to greet warmly all the corpses who find their way onto the election rolls every November.

From the Damned-if-you-do-damned-if-you-don't Department: Inmate Timothy Langley jumped at the chance to sue two Nashville court officers for $70,000. The pair had the audacity to leave a sixth-story window open, giving Langley the opportunity to try to kill himself after a murder conviction. Langley survived the leap when his plunge was deflected by a tree. His suit contends the officers were negligent in leaving the window open. Wonder if he'll sue the guy who planted the tree?

Oh, the crime foisted on taxpayers in the glorious name of research! The British Health and Safety Executive has found that the noise of pigs squealing can reach 108 decibels at feeding time. Earmuffs are recommended for pig farmers. Not to be outdone by the erstwhile imperialists, Indian researchers have come up with an important project of their own. They're working to create a "gas-less" bean. A possible advertising slogan is "Gone Is the Wind."

—MARK EDWARD CRANE



"Perhaps the most important economic treatise of our time"

– WALL STREET JOURNAL

Human Action is the most compelling case for economic freedom ever made. It is the free-market answer to Marx's *Das Kapital* and Keynes's *General Theory*.

And it is fascinating. Mises is a cool logician, our greatest economic scholar, a passionate lover of freedom — and a passionate hater of those who would take it away from us. Thus *Human Action* is the economic masterwork of our age — and, at the same time, a soaring hymn to human freedom.

Mises has nothing but scorn for the phony "compassion" of the Marxians and Keynesians — because he sees how their theories actually breed suffering. One by one, he sweeps away the dangerous fallacies of liberalism and socialism.

FREE!

Finally, this book is a warning. Just as man ignores the law of gravity at his peril, so too the immutable laws of economics. As Mises aptly puts it:

"It rests with men whether they will make proper use of the rich treasure with which this knowledge [of economics] provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp our society and the human race."

The economic masterpiece of the century — in an edition worthy of its contents

Revised and updated by the author himself ☐ Massive 924 pages ☐ Comprehensive 21-page index ☐ Entirely reset — NOT to be confused with any previous edition

HUMAN ACTION

Triggers an Explosion of Critical Acclaim

"I think that *Human Action* is unquestionably the most powerful product of the human mind in our time, and I believe it will change human life for the better during the coming centuries as profoundly as Marxism has changed all our lives for the worse in this century." — Rose Wilder Lane

"If any single book can turn the ideological tide that has been running in recent years so heavily toward statism, socialism, and totalitarianism, *Human Action* is that book. It should become the leading text of everyone who believes in freedom, in individualism, and in a free-market economy." — Henry Hazlitt

"An arsenal of fact and logic for those at war with the Marxists and Fabians." — *Chicago Daily News*

"Dr. von Mises has made a tremendous contribution to economic thinking in a world that thinks only economics." — Vermont Royster

"[Mises] offers a combination of great scholarship and the rare ability to make an abstruse economic subject interesting." — Lawrence Fertig

"The finest economic treatise of this generation." — Raymond Moley

How to get this $37.50 masterwork FREE

How the Club Works

Every 4 weeks (13 times a year) you get a free copy of the Club Bulletin, which offers you the Featured Selection plus a good choice of Alternates — all of interest to conservatives. ★ If you want the Featured Selection, do nothing. It will come automatically. ★ If you don't want the Featured Selection, or you do want an Alternate, indicate your wishes on the handy card enclosed with your Bulletin and return it by the deadline date. ★ The majority of Club books will be offered at 20-50% discounts, plus a charge for shipping and handling. ★ As soon as you buy and pay for 4 books at regular Club prices, your membership may be ended at any time, either by you or by the Club. ★ If you ever receive a Featured Selection without having had 10 days to decide if you want it, you may return it at Club expense for full credit. ★ Good service. No computers! ★ The Club will offer regular Superbargains, mostly at 70-90% discounts plus shipping and handling. Superbargains do NOT count toward fulfilling your Club obligation, but do enable you to buy fine books at giveaway prices. ★ Only one membership per household.

CONSERVATIVE BOOK CLUB

15 OAKLAND AVENUE ● HARRISON, N.Y. 10528

Please accept my membership in the Club and send me, free and postpaid, Ludwig von Mises' magnum opus, *Human Action*, in the $37.50 Third Edition. I agree to buy 4 additional books at regular Club prices over the next 2 years. I also agree to the Club rules spelled out in this coupon.

R27

Name _____

Address _____

City _____ State _____ Zip _____

TRENDS

SPEAKING FREELY ABOUT ELECTION LAW

Federal election laws that regulate political contributions and spending seriously threaten both free speech and the robustness of the American political system, concludes a recent study by the Cato Institute, a Washington, D.C.–based think tank. Over the years, some observers have criticized various aspects of these laws. But the Cato study now provides a comprehensive, detailed critique of the election laws that should spark serious debate in public-policy circles.

Journalist Mary Meehan, author of the study, detailed ways in which the post-Watergate Federal Election Campaign Act (FECA) of 1974 and the Federal Election Commission (FEC), created by the act in 1975, restrict First Amendment rights and discriminate particularly against "the underdogs of American politics." For example, by limiting the amount an individual can contribute to a federal political campaign ($1,000 per primary and $1,000 per general election to each candidate), the law prevents "many candidates from raising the money they need for communications with the public," thereby restricting candidates' exercise of free speech. Such restrictions, of course, are more likely to affect less-well-funded minority-party candidates than those of the two major parties.

Moreover, observed Meehan, the FEC, by imposing various reporting requirements and spending restrictions on politically active groups, "has a chilling—if not freezing—effect on the speech of grass-roots, issue-oriented groups." In 1978, for example, the FEC ruled that Massachusetts Citizens for Life, a nonprofit antiabortion organization, violated federal election law by distributing a special issue of its newsletter reporting candidates' views and voting records on abortion. Though the group's challenge of the ruling was vindicated by a federal judge—*six years later*—the FEC appealed the court's decision, forcing the group into another legal battle. After winning the first court contest, Meehan reported, the group's newsletter editor declared: "I can testify that there has been a chilling effect on our ability to communicate with prolifers."

Through FEC regulations on "independent spending"—spending that is not directed, coordinated, or overseen by a candidate or his campaign—this "chilling effect" also extends to citizens' right of free association. Though the Supreme Court has ruled that independent spending cannot be limited, groups spending more than $250 in a year must report this to the FEC and swear that it was in fact independent. In order, then, to avoid having their independent spending construed as contributions, citizens cannot consult with candidates. Their "only safe course of action," Meehan observed, "is to avoid all contact with the candidate they support, trying to learn of his themes and plans through the news media."

Meehan criticized several other aspects of the FECA, including the way in which "a law reputedly designed to ensure honest politics has encouraged a great amount of fudging, concealment, and deceit." Moreover, she documented the discriminatory fashion in which the FEC enforces election laws. For example, in the first quarter of 1979 the commission investigated only 2 senators and 6 representatives among incumbent candidates for noncompliance with election laws, while it probed 8 Senate and 52 House *nonincumbent* candidates during the same period.

The 1974 election law and the FEC should be abolished, concluded the Cato study. We already have the best campaign law ever passed, the study reminds us—it's called the First Amendment.

DEREGULATION TRAVELS WELL

Transportation deregulation got off the ground during the Carter administration, so it's been around long enough to make a mark. Its bracing effects are evident both with intercity buses and with airlines.

Bus deregulation was discussed recently by someone with an acute interest in the subject—William McCracken, a senior vice-president of Greyhound Lines and a former transportation regulator with the Interstate Commerce Commission (ICC). In a presentation at the US Army Transportation School, McCracken pointed out that before the changes, "regulation virtually assured an operator a profit if he played by the rules. When costs increased, they were passed on to the customer."

The effect on the bus companies, however, was hardly salutary. "There was a decided absence of imaginative, aggressive marketing people in a regulated enterprise," McCracken observed. "Regulation was an excuse for not being imaginative and for not really working hard to find some new way to sell or to carve out a new market niche.... Without exception, every bus company fit this pattern."

Deregulation completely transformed the industry. A "phenomenal" number of new companies entered the intercity bus market—some 2,169 in a 13-month period. And the ICC received applications from companies to serve 55,000 new route miles, 20 percent more than were served previously.

With competition where before there had been protected routes, bus companies searched for ways to cut costs. Before deregulation, McCracken noted, "Greyhound was the high cost operator" in an industry whose labor costs overall were already greater than for any other comparable industry.

But when it came time to negotiate a union contract that expired in October 1983, Greyhound asked the union for concessions. A long and bitter strike followed before the union agreed to a settlement: a 13 percent wage reduction for employees already on Greyhound's payroll, and an additional 15 percent reduction in the wages of new employees.

Bus companies are doing more to sell their services, too. "Long range planning is foreign to a regulated business," but now Greyhound, for example, is investing in research, devising marketing strategies for various customers, and renovating bus terminals.

Established firms such as Greyhound are facing competition not only from upstart bus companies but from discount airlines (see "Fly Me—I'm Deregulation," Trends, Jan.). But as *Aviation Week* recently noted, Greyhound is beginning new service to deliver passengers to low-cost People Express flights at five major airports.

The beneficial effects of transportation deregulation are also evident in the case of Hawaii's interisland airlines. When regulation was in full force, Hawaii and Alaska were the only states whose intrastate air fares were regulated by the Civil Aeronautics Board—so when the 1978 Deregulation Act took effect and the fed-

eral government ended all of its fare regulation, Alaskans and Hawaiians were doubly affected.

The biggest change in Hawaii was the emergence of a new airline, MidPacific Air (MidPac). Two established airlines, Hawaiian Air and Aloha Airlines, had dominated the interisland market in the past, but MidPac has now shattered that near-duopoly with the time-honored tool of competition—low prices. Where Hawaiian and Aloha were charging $50 for interisland fares, MidPac swooped into the market with $25 fares and, at one point during price wars, $10.95 standby fares. How? The upstart shuns expensive downtown offices, hires nonunion employees, and buys aircraft that are small and old (but quite adequate).

The formula has worked. Last summer, when MidPac was three years old, it enjoyed 20 percent of the interisland traffic and "has been turning large and regular profits."

PUBLIC POLICE SINGING THE BLUES

Just a few years ago, only "wild-eyed" laissez-fairists took seriously the idea of privatizing police and other functions of the criminal-justice system. Today, the idea is no longer considered bizarre. In fact, it's actually happening.

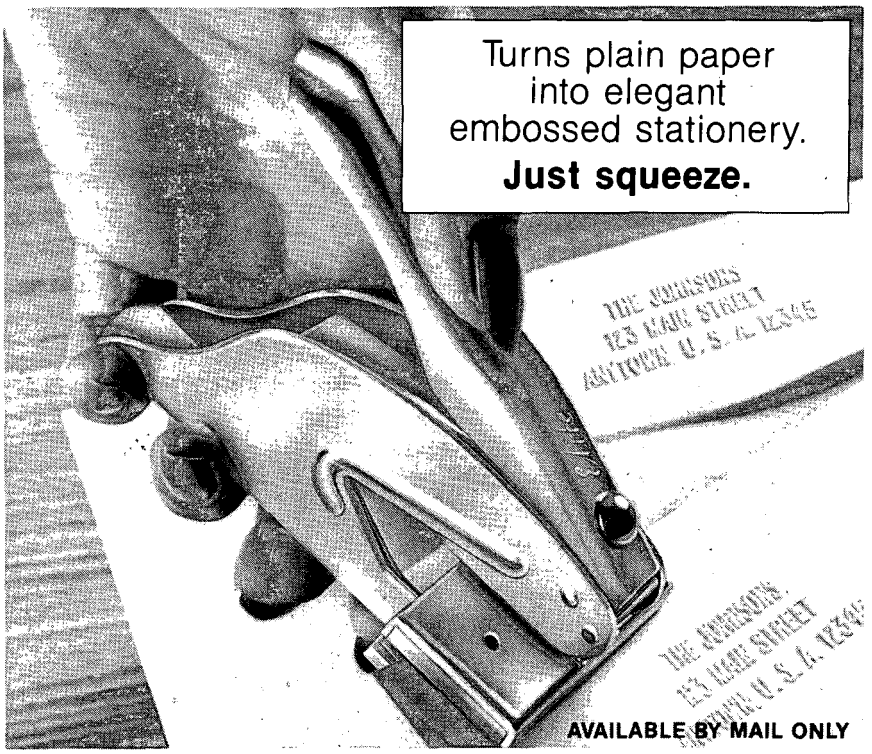
That police privatization is becoming a live possibility was evident in a recent warning to the boys in blue that they could become "an endangered species" by 1994 if citizens aren't satisfied with public police services. The warning came in a recent speech by Edward J. Tully. Tully is not some Charles Darwin gone mad, nor is he associated with the privatization-oriented Local Government Center. Rather, he is the head gumshoe of the education department at the FBI National Academy, and he made these predictions in a talk at the recent annual meeting of the International Association of Chiefs of Police.

"I know of nothing in any state law," Tully observed pointedly, "that prevents IBM from providing law enforcement services." Already, he noted, private security services are 50 percent larger than public law enforcement agencies.

Tully noted that when citizens fail to get the police services they need, they are willing to go elsewhere. "People are reinventing government," he said, pointing to such self-help groups as Neighborhood Watch and Mothers Against Drunk

Elegant Embossed Stationery

Make all you want. . . whenever you want it!



No expensive stationery to re-order. ***No messy ink to refill.*** ***No return address labels to run-out-of.***

Why spend a lot of money on personalized stationery when you can easily make your own. . .and never run out? Just squeeze the handle of our compact hand press and instantly convert plain paper into expensive looking embossed stationery.

Unlike others you may have seen, our stationery embosser features a patented reversible plate so you can emboss *both envelope flaps and letterheads.* It's also ideal for personalizing books, magazines and valuable documents.

And to make your personalized stationery even more distinctive, we give you a choice of either *block letters or script.* But best of all, our incredibly low sale price for this high quality embosser is only

#1160241

Susan Johnson
123 Main Street
Anytown, U.S.A. 12345

#1160233

WILLIAM JOHNSON
123 MAIN STREET
ANYTOWN, U.S.A. 12345

½ PRICE SALE

A $20.00 VALUE

ONLY $9.95

$9.95. . . the lowest price available anywhere! And at that price, you can afford to give them as long lasting gifts to those people on your list.

Offer good only in continental U.S.A.

MAIL TO: SINCE 1873 **Barnes & Noble** BOOKSTORES
126 Fifth Ave., Dept. M245, New York, N.Y. 10011

please allow 3 to 5 weeks for delivery	STYLE #	QTY	PRICE	TOTAL
	1160233		$9.95	
	1160241		$9.95	
			Subtotal	
			Add $1.75 shipping & insurance for *each* embosser ordered	
			N.Y. and N.J. residents add applicable sales tax	
			TOTAL PAYMENT	

Check one:
☐ A check or money order is enclosed
☐ Please charge this to: ☐ Visa ☐ MasterCard

Account# _____ Exp. Date _____

Signature _____

Please print personalization on lines below.
(Up to 3 lines and 30 spaces per line.)

_____
_____
_____

If ordering more than one embosser please print name and address clearly on a separate sheet of paper.

SHIP TO:
Name _____
Address _____
City, State, Zip _____

30-DAY MONEY-BACK GUARANTEE
Every item you purchase from Barnes & Noble must meet your standards. . .If not, return it within 30 days for a full refund.

©1984, Barnes & Noble Bookstores, Inc.

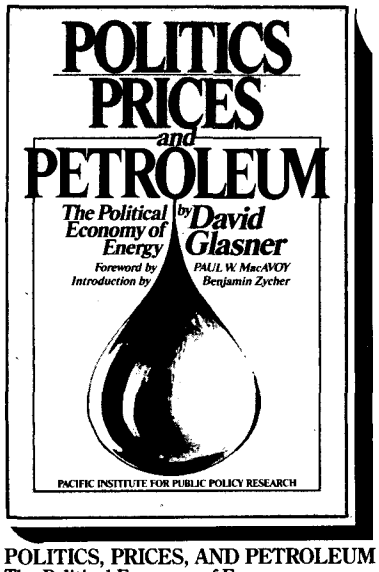
Drivers. Tully didn't mention one of the most successful competitors with public cops—the Guardian Angels, dedicated young people who voluntarily patrol on foot the worst sections of some cities and provide real protection to the poor.

Perhaps a harbinger of the future in the United States is the recent replacement in Britain of the official British Transport Police (who have guarded British ports since the 1820s) with private security firms. Associated British Ports announced the decision as a cost-saving measure. According to one press report, the port authority said that the switch to private security firms "would not mean any reduction in security cover for our customers."

But even Prime Minister Margaret Thatcher, the guiding light of privatization in Britain, would probably be surprised by the privatization now occurring in certain parts of the criminal-justice system here. As noted in a recent *60 Minutes* feature titled "Crime Pays," dynamic firms such as the Nashville-based Corrections Corporation of America and Behavioral Systems Southwest in the Los Angeles area are already operating a number of minimum- and medium-security detention and correctional facilities. Other reports indicate that the nation's largest independent private-security firm, the giant Wackenhut Corporation of Coral Gables, Florida, is talking to several states about building and operating prisons and jails. And it now looks as if a small independent company, Buckingham Security of Lewisburg, Pennsylvania, will actually build and operate the nation's first private maximum-security prison, due to open its gates in Pennsylvania in early 1986.

So what was a few years ago unthinkable—the privatization of criminal-justice functions—is now an emerging reality as private self-help groups, security firms, and even prison companies are confronting the government monopoly with real free-market competition.

BUREAUCRACY vs. ENVIRONMENT



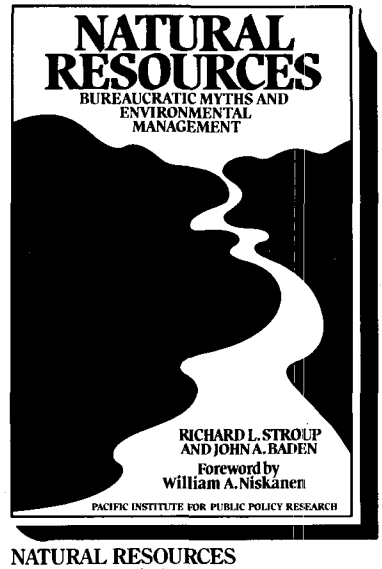
POLITICS, PRICES, AND PETROLEUM
The Political Economy of Energy
By DAVID GLASNER
Foreword by PAUL W. MacAVOY

What role did price controls and the entitlements program play in the energy crisis of the 1970s? What consequences would follow total decontrol of natural gas? How do oil imports impact inflation, unemployment, and the balance of payments?

Politics, Prices, and Petroleum demonstrates that the years of chaos in the petroleum market were the inevitable consequence of a chain of faulty government actions that began in the 1950s, grew to a crescendo with the creation of the federal Department of Energy, and still sets the stage for a future energy catastrophe. Glasner concludes that the energy crisis is the product of political, bureaucratic, and business interests that benefit from government restrictions on energy markets, and that only a policy of total decontrol will avoid future problems.

"Politics, Prices, and Petroleum *is impressive and applies sound economic reasoning to important energy policy issues both for the scholar and in a way that is understandable to the layman.*"
–WALTER J. MEAD
Professor of Economics
University of California, Santa Barbara

ca. 280 Pages • ISBN 0-88410-953-4 Cloth • ca. $35.00
ISBN 0-88410-954-2 Paper • ca. $11.95



NATURAL RESOURCES
Bureaucratic Myths and
Environmental Management
By RICHARD L. STROUP and JOHN A. BADEN
Foreword by WILLIAM A. NISKANEN

Environmentalists, recreationists, ranchers, oil and gas developers and others all recognize that natural resources are administered in an inefficient and/or inequitable manner. Given their inherent complexity, natural resource use and conservation have become a fertile breeding ground for popular fallacies and myths surrounding the formulation of environmental policy. *Natural Resources* examines in depth such contemporary issues as air quality, groundwater, fossil fuels, nuclear power, alternative energy sources, wildlife, and so forth, and traces their problems to an inherent failure of public agencies to pursue both economically efficient and environmentally sound policies.

"This book separates sense from nonsense in discussions of natural resources. Stroup and Baden know both their economics and their resources."
–JAMES M. BUCHANAN
Director, Center for the Study of Public Choice
George Mason University

160 Pages • ISBN 0-88410-925-9 Cloth • $28.00
ISBN 0-88410-926-7 Paper • $9.95

To order, or for a catalog of publications, please write:
PACIFIC INSTITUTE, 177 Post Street, Dept. F3
San Francisco, CA 94108

PACIFIC INSTITUTE
FOR PUBLIC POLICY RESEARCH

MAY THE CAB R.I.P.

It was a death worth celebrating: on December 31, the Civil Aeronautics Board passed into history. Created in the '30s to regulate the nascent US airline industry, the CAB was legislated out of existence by the 1978 Airline Deregulation Act.

The CAB's demise marks another milestone in airline-industry decontrol. In December 1981 came the first major step: deregulation of entry and routes—anybody could start an airline, and any airline could start up or stop service on any route. Then, one year later, air fares were decontrolled.

The CAB functions that remain—primarily involving consumer affairs, antitrust rules, international agreements, and enforcement of operating rules—have been transferred to the Department of Transportation (DOT). About this development, William Gregory commented in an editorial in *Aviation Week & Space Technology*, "In practice, the airlines are likely to operate pretty much as they please, something that is all for the best."

One aspect of airline operations that might, in fact, do better under DOT control is the allocation of landing and take-off rights ("slots") at airports. In contrast to the present allocation system, in which airline committees distribute the slots, the Transportation Department has proposed a market arrangement, in which slots would be bought and sold.

Various problems with the present allocation-by-committee system were recently dramatized. The nation's six busiest airports are experiencing

troublesome delays caused in part by crowding of flights at "peak hours" when there is much demand (9:00 A.M., for example). Airlines that operate flights at these airports were given antitrust immunity last fall to mutually arrange rescheduling of their flights to ease peak-hour crowding.

The "solution," however, was not universally greeted with open arms. Several airlines criticized the agreement as anticompetitive, as did the Federal Trade Commission and the President's Council of Economic Advisers. Even the CAB, which approved the plan in October, conceded its anticompetitive effects.

American Airlines president Robert L. Crandall warned that the airlines should not be regulated in response to the delay problem and blamed the Federal Aviation Administration's inadequate air traffic control system for the situation. "If slots must therefore be allocated in one way or another," Crandall said, "we should allow the marketplace to allocate them according to price."

And even Michael Kinsley, a senior editor at the left-liberal *New Republic* magazine, called the airlines' agreement "a virtual cartel." "The correct capitalist solution to airport overcrowding," instructed Kinsley, "would be to auction off desirable takeoff and landing slots."

Indeed. And with the demise of the CAB, such market-like solutions to aviation problems may be more likely to evolve. CAB, R.I.P.

FOREIGN-AID ENTREPRENEURS AID ENTREPRENEURS

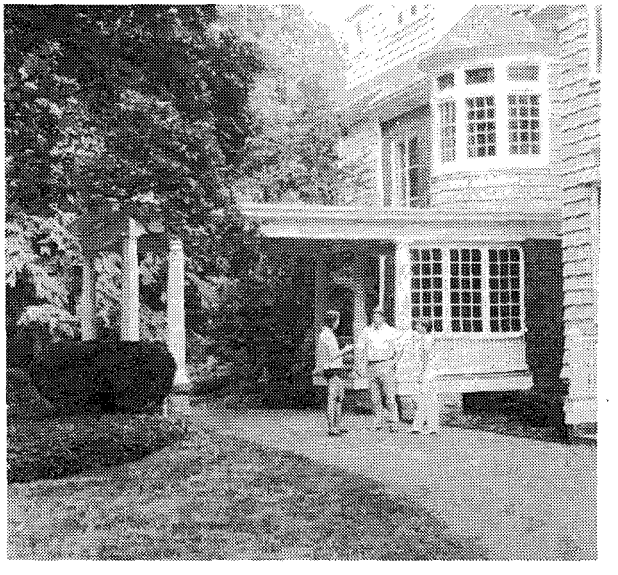
Washington regularly wastes billions of dollars on aid to Third World governments, yet vast numbers of these governments' subjects remain destitute and hungry. Meanwhile, entrepreneurship continues to bring wealth to countless individuals in developed countries. It

Want to learn more about the free market?

Consider a week at FEE.

1985 Summer Seminars

June 23-29
July 14-20
August 4-10



Foundation for Economic Education, Inc.
Irvington-on-Hudson, New York 10533

For twenty-two years our annual summer seminars have offered a thorough introduction to the principles of limited government and the market economy. Our sessions attract lively and diverse groups of people—including students, teachers, business proprietors and employees.

The week includes thirty-five hours of lecture and discussion, with ample time for participants to meet informally with both staff and distinguished guest lecturers. The Foundation, situated on a five-acre estate in a quiet suburb near New York City, provides an ideal setting for a week of study and reflection.

The charge for a seminar—tuition, supplies, room and board—is $400. Fellowships (including partial travel grants) are available. A detailed seminar brochure will be sent on request.

Please address all requests for applications and further information to:

Summer Seminar Program
Foundation for Economic Education
Irvington, New York 10533
(914) 591-7230

Established in 1946, The Foundation for Economic Education is an educational proponent of private ownership, the free market, and limited government. A free catalogue of books and a sample copy of The Freeman, *The Foundation's monthly journal, are available upon request.*

seems obvious that encouraging entrepreneurship in developing nations would be worthwhile. And that's what former United Nations official Glen Leet and his wife, Mildred, set out to do six years ago, when they used $1,000 of their own money to begin a private foreign-aid program for Third World entrepreneurs.

It's called Trickle Up Program, Inc. As of last November, it had disbursed $114,000 worth of $100 grants to entrepreneurs in 61 developing nations. "There are foreign-aid programs for helping entrepreneurs in the Third World," Glen Leet recently told REASON, "but I don't know of any others that do it on the level of $100 grants." Grant recipients have included a Cameroonian family who invested their grant in a sewing machine, fabrics, and a marketplace booth; some Solomon Islanders who purchased pineapples and mangoes to make fruit jam; and a group of Dominican women who bought ginger plants so they

GLOBAL TRENDS

PERU'S ROADS TO THE MARKET

LIMA, PERU—Latin American cities are often depicted in popular literature as huge "pueblos jóvenes," new neighborhoods where people suffer from enormous material want and spiritual frustration. But this conventional image is very different from reality. The fact is that a thriving free-market economy exists in much of Latin America, and it provides a framework for Latin Americans to devise creative solutions to a wide range of problems. Lima's streets are an interesting example of this.

Lima is a city with five million inhabitants, 47 percent of whom live as settlers on land that they have obtained, made habitable, and developed outside of the framework of Peruvian law. They accomplish this by invasion and spontaneous organization and construction.

In theory, the state is supposed to provide at least some assistance to the settlers because they are officially poor. But in fact, they themselves are the ones who provide for themselves despite the state's regulations. For example, the settlers construct their own streets and sidewalks—developing several mechanisms to obtain public goods for themselves and avoid the "free-rider" problem.

The system as it has evolved in many areas shows how such mechanisms can work. Sidewalks and streets are paid for by the owners of lots adjoining the streets. If a settler does not pay his share for street construction, he won't have a street in front of his house. And if a settler pays his share but his neighbor across the street does not, then only half of the street will be built—the half in front of the lot belonging to the settler who has paid. So in areas where nobody pays, there are no streets or sidewalks.

This is typical of how people in the "pueblos jóvenes" provide for their own public services—without public officials, public monopolies, and public bribes. In a sense, it is a spontaneous privatization of one of the Peruvian state's ostensible functions.

Although a large number of Lima's streets have been constructed this way, there is still a need for many more. Unfortunately, many settlers lack incentives to pay for streets and sidewalks in front of their homes because they lack title deeds to their homes. Indeed, the state has granted such deeds to only about 10 percent of the settlers, and it never grants title deeds for the roads themselves.

Yet it is striking that many settlers are still building streets and sidewalks, sometimes even though they don't have the title deeds to their homes. It's persuasive proof of the workability of market-like mechanisms, privately arrived at.

—ENRIQUE GHERSI

SOMETIMES ON SUNDAY

GREAT BRITAIN—Retailing here has long been a nest of regulatory nonsense. An example is the group of regulations called the Shops Acts, a series of laws that cover hours of trading, Sunday opening, and the employment of staff.

These bizarre laws institutionalize such anomalies as allowing consumers on Sundays to buy pornographic magazines but not Bibles, whiskey but not baby food, and partly cooked tripe but not fish and chips. It's a typical regulatory fiasco created by allowing producer interests to override consumer sovereignty. There have been 18 attempts to amend or repeal the Shops Acts (in particular, the restrictions on Sunday trading) since 1956, all of which have failed. Now, though, a much more powerful force for abandoning the laws has appeared in the form of consumers stating their preferences in the marketplace.

Strangely, this force has come from a combination of the British love for tidy homes and gardens, and some of the biggest retailing businesses in the land, the food supermarket chains. In an effort to extend their businesses, major food chains have been opening giant home-improvement stores selling everything from garden sheds to door chimes. These stores run on the pre-packed, self-service, multiple-checkout, easy-parking basis that we've all used for years to buy our food. What day do most of us repair our back doors or paint the bedroom? Well, Sunday, of course, and are those new stores convenient for getting a bag of nails or a pot of paint. Consumers love them and they are doing great business. The result is that all over Britain, home-improvement stores are being built—in the clear knowledge that by trading on Sunday they will be breaking the law.

It may be hard to believe, but some zealous local authorities take the local store management to court on a regular basis, fine them a paltry sum, and send them back to their stores to get on with their business. It is an odd way of keeping up appearances.

If you're thinking that maybe the government would do something about all this, you are half right. In February 1983 a bill originated in the

(Continued on p. 18)

could distill and bottle the roots for wine.

Trickle Up's structure is simple. It is financed completely by private contributions, and it functions with the help of 275 volunteer coordinators around the world, many from agencies such as the Peace Corps, the Catholic Relief Service, and the United Nations. To qualify for a Trickle Up grant, applicants have to assemble at least five people, devote at least 1,000 hours to the business during its first three months, and agree to reinvest 20 percent of their profits in the business.

Mildred Leet told REASON that the application form for a grant is only one page. "We ask on it, What are you going to market? Where are you going to market it? and How much profit will you make?" They ask these questions, she noted, because "the people who want to start the business have to sit down and figure these things out."

Once the project is off the ground, though, "they're on their own to make a success of it," she recently told *Venture* magazine. Her husband told the magazine that the Trickle Up projects have been quite successful, with each business averaging $358 in profits after their first three months of operation. But Mildred Leet suggested to REASON that there are other measures of success—"when a banana-chip business in Dominica expanded and moved into larger quarters, and when the number of children going to school grew because their parents can now afford school uniforms."

Trickle Up is hardly on the scale of the World Bank or the gargantuan aid programs that regularly flow out of Washington, and it's certainly on a scale far smaller than the problems it addresses. Yet it's a useful example of the good that can be accomplished by giving entrepreneurship a fighting chance. (Trickle Up's offices are at 54 Riverside Drive, New York, NY 10024.)

INTERSTATE BANKING WAITS FOR NO CONGRESS

It was in 1927, during the Coolidge administration, that the federal government first prohibited interstate banking with the McFadden Act. Bad habits (especially the government's) die hard, and the prohibition was left basically intact for decades. But change is in the air. In the last few years, interstate banking has steadily inched closer to reality—not because of a change of legislative heart but because of a legal loophole.

When federal banking law was amended in 1970, a bank was defined as an institution that both takes checking deposits *and* makes commercial loans. Such institutions are subject to the interstate taboo. But suppose an institution offers *only* checking accounts but not commercial loans, or vice versa? It was a moot issue until interest rates were deregulated starting in the 1970s, but once that happened bank competition set in. And in 1980 the first "non-bank bank" slipped into existence through the regulatory loophole.

Other non-bank banks were soon established by major banks and financial service companies. But Congress, pressured by the small-bank lobby and various federal officials (such as at the government's central bank, the Federal Reserve), objected to the new interstate bank branching, charging that it violates the legislature's intention. Congress asked the comptroller of the currency to withhold approval of any more non-bank banks while it figured out how to close the loophole.

The moratorium on approving new applications lasted 18 months, and still Congress hadn't acted. The legislature recessed in November without passing any interstate-banking reform legislation. And when Congress left town, C. Todd Conover, comptroller of the currency and an advocate of banking deregulation, announced that he would grant 13 bank holding companies preliminary permission to operate 29 non-bank banks outside of their home states.

Who would object? Primarily, small banks that don't want any competition from their larger brethren in New York and Chicago. As the *New York Times* noted, "Politically, this is the heart of the interstate banking issue—the fears of so-called independent banks in non-money center states that they would find themselves competing with Goliaths." And Federal Deposit Insurance Corporation economist Alan McCall explained to REASON, "When entry into a market is restricted, your business is worth more, and the small banks know that. When those barriers come down, the value of the business declines. In the longer term, geographic deregulation will have a negative effect on the small banks."

The chairmen of the Senate and House banking committees—Sen. Jake Garn (R) of Utah and Rep. Fernand St Germain (D) of Rhode Island—have vowed to stop

Social Harmony, Free Trade, Peace

What is the connection between the free market and international peace? This vital link is explored in Frederic Bastiat's **Economic Harmonies,** Richard Cobden's "Free Trade and Reduction of Armaments", William Graham Sumner's **War and Other Essays** and Ludwig von Mises' **Liberalism.**

Von Mises provides us with the concept of "interventionism" that explains how the prosperity and peace of the free market is replaced by the disruption and conflict of state intervention.

Coming up in the next issue of the **Humane Studies Review** is the third part of the series on the basic tenets of classical liberalism. The bibliographical essay, "Social Harmony, Free Trade and Peace" will open the door to the ideas of Bastiat, Cobden, von Mises and Sumner.

The **Humane Studies Review** is a research and study guide providing up-to-date analyses of classical liberal thought. If you have not yet found the time to read the works of great thinkers like von Mises, read the **Review.** The insight and knowledge gained will spark your curiosity, and it just might inspire you to *find* the time to read the works of thinkers like von Mises.

Published three times a year by the Institute for Humane Studies, the **Humane Studies Review** is available to $10 yearly. Special student rate: $5 yearly. Make checks payable to IHS and send to: Humane Studies Review, P.O. Box 1149, Menlo Park, CA 94026. Students, please detail university, department, major, degree, and expected date of graduation.

Mastercard and Visa are also accepted. Include card number, expiration date and signature, or you may phone your subscription in, (415) 323-2464.

Whether you choose to subscribe, or not, a complimentary issue of **Humane Studies Review** is yours, free! Call now.

IHS

Institute for Humane Studies

1177 University Drive
P.O. Box 1149,
Menlo Park, CA 94025
415/323-2464

up the loophole—retroactively. "If people want to go ahead [and start non-bank banks]," St Germain solemnly warned late last year, "they will be required to divest, no matter what the cost. There's no way I can bend or give."

But such fiery pronouncements are not standing in the way of major institutions intent on offering diverse financial services nationwide. In late November, a Conover aide told REASON that the Comptroller's office had received some 340 applications to start non-bank banks, and Conover is intent on processing them in accordance with the law, loophole and all—unless and until Garn and St Germain can make good on their threats.

What will interstate banking mean? "We will get the Citicorp equivalent of a McDonald's on every other corner," small-bank lobbyist Kenneth Guenther moaned in a *Business Week* interview. But "locally limited borrowers" (individuals and small businesses) stand to benefit considerably. "Without geographic deregulation, locally limited borrowers are pretty much handcuffed to local institutions," FDIC economist McCall noted. That would no longer be the case. Last year, he testified before a House committee that the increase of competition between financial services will make it easier for small businesses to obtain loans. Other benefits of deregulation pointed out by proponents are higher interest rates for consumer deposits and lower rates for loans, as well as "neighborhood banks" with the range of services and expertise of a ma-

GLOBAL TRENDS

(Continued from p. 16)

House of Lords (who needs elected representatives for good ideas?), but it succumbed in the faint-hearted House of Commons to a lobby of trade unionists, the Lord's Day Observance Society, and a consortium of retailers. A "committee of inquiry" was set up—a traditional British parliamentary device that really means, "I wish the issue would go away."

Well, maybe it will. Cracks are appearing all over the place. Some home-improvement stores are seeing small specialist stores nearby cashing in on the demand on Sundays and opening, too. There's also an entire industrial sector being revitalized by the rise in the dollar. Myriads of American tourists came to Britain last year and wherever they go, stores open on Sundays, catering to consumer preferences for tripe, fish and chips, or whatever junk food that visitors from Cincinnati want.

When the power of the market blows silly regulations away, there's hope for us yet. My bet is that Britain's Shops Acts will be quietly repealed sometime over the next decade. Slow progress perhaps, but then the first prohibition on Sunday Trading was the Fairs and Markets Act, passed in, ahem, 1448! Some things take time.

—EBEN WILSON

THE ROAD TO DENATIONALIZATION

MEXICO—A few days after the state appropriation of Mexico's private banks in 1982, the government announced that those businesses which had been owned or controlled by the banks but were not directly connected to their financial operations—but which had also been taken over as part of the banks' assets—would be sold back to the private sector "in the very near future." Until last fall, many suspected that the Mexican authorities had decided to forget their promise.

Last September, however, the government announced the sale of many of the firms involved. These companies, numbering nearly 100, all rank among the most important in Mexico. They represent virtually every sector of the economy—mining, retail sales, tourism, insurance, securities exchange, real estate, and heavy industry. Many of these have quickly found enthusiastic new owners, some of whom turned out to be the former bankers themselves.

The news has been welcomed by almost everyone. The prominent Mexican economist and author Luis Pazos has written, "It would be ideal if the government took other similar measures. Even though this decision will not, by itself, solve Mexico's troubles, it is a step in the right direction." And financial analyst Isse Nunez, in his daily newspaper column, observed, "It is simply an act of justice. . .and its psychological value is very important. At present, only private enterprise can foreseeably provide the necessary boost to bring Mexico out of its crisis."

Such opinions are becoming quite widespread among other economists, since under government ownership, the now-denationalized went through their worst economic period ever. Their market value declined, production was at a standstill, there were no new investments, and thousands of workers were laid off.

This was the case, for example, of Minera Frisco, one of the nation's leading mining companies. Until the day of the expropriation, it was one of the best options on the Mexican stock exchange. A year later, production plummeted and its stock had to be temporarily withdrawn from the market. Other enterprises suffered similar fates. The multi-million-dollar projects Hotel Plaza Reforma and Hotel Mediterranee, which were to be, respectively, the country's tallest building and most luxurious hotel, were suspended a few days after they became government property. They now stand as abandoned construction sites in the heart of Mexico City, attesting to the government's inability to continue the work. Perhaps the new owners, with far superior managerial capabilities, will once again guide all of these ventures onto a productive path.

The government's decision to fulfill its two-year-old promise came at a crucial time for Mexico. After enduring 30 months of belt-tightening policies, an average of 100-percent annual inflation, large increases in unemployment, zero economic growth, a three-fold increment in taxes, and a 1,000-percent devaluation of the national currency, the people of Mexico have grown increasingly skeptical—to say the least—about their one-party state's attempts to expand its powers in the economic sphere. As of August 1984, the government controlled well over four-fifths of the economy. The return of these firms to private hands has seemingly dampened this rapid advance toward socialization. Moreover, it has perhaps averted the ever-present threat of violence, stemming from popular unrest, from materializing. If so, this is the happiest news that Mexicans could hope for at present.

—JULIO A. MARQUEZ

jor financial institution.

It's a little ironic that interstate banking appears to be on the horizon not because of deregulation's inherent advantages but because of a minor loophole that was virtually ignored for years.

HOW TO SPELL RELIEF? I-N-D-E-X

As America's taxpayers were cheerfully singing "Auld Lang Syne" on New Year's Eve, they had more reason to celebrate than they may have realized. That's because tax-bracket indexing made its debut with the new year—and despite nasty rumors to the contrary, it's special cause for celebration by those at lower income levels.

Tax-bracket indexing means that federal income tax personal exemptions, the zero bracket amount, and all marginal tax rate brackets are now indexed to inflation, so the percentage of your income that you must send to the IRS will increase only when the actual value of your income goes up. "Bracket creep"—people creeping against their will into higher tax brackets even though their real income stays the same—is a thing of the past. Legislators must now raise taxes explicitly if that's what they're wont to do. That's why *Los Angeles Times* editorial writer Ernest Conine calls indexing "one of the most important tax reforms in the history of the Republic."

Even though Congress passed and President Reagan signed the legislation that provides for indexing, a number of Washington officials are not as pleased with the reform as is Conine. It's been charged that indexing is a scam to help rich people evade taxes while their poorer neighbors don't benefit at all. But a recent study for the National Center for Policy Analysis by David Henderson, formerly a staff economist with the Reagan administration's Council of Economic Advisers, found that the opposite is the case.

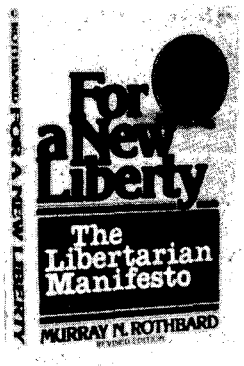
"For families who already are in the highest tax bracket (50 percent), 'bracket creep' has a very small effect on taxes," Henderson explained. "For families who are in low tax brackets, however, the Reagan indexing scheme turns out to be extremely important."

To see why, it's worthwhile to note what would happen by 1988 if indexing were eliminated. Relying on calculations done by Harvard University economist Lawrence B. Lindsey, Henderson pointed out that a family with a $10,000-15,000 annual income would pay 15 percent more taxes without indexing; and a family with less than $5,000 in income would pay a staggering 74 percent more taxes by 1988. And the wealthy? Eliminating indexing would make little difference for them. Their taxes would increase only two percent without it.

No one with a speck of humanity could oppose the reduction of poor people's tax burdens that indexing will evidently bring about. Or so it might seem. But the fact is that all their rhetoric notwithstanding, Washington pols of both major parties yearn for all the tax revenue that bracket creep used to bring them, so they're feeling rather nervous about indexing. During his campaign last year, Walter Mondale proposed that indexing be eliminated for brackets over $25,000 unless the annual inflation rate exceeded

MANIFESTO *(măn-ə-fĕs'-to) n.* A public declaration of principles.

FOR A NEW LIBERTY:
The Libertarian Manifesto
by Murray N. Rothbard



Available from:
Laissez Faire Books, Dept. 25
206 Mercer Street,
New York, NY 10012
"World's Largest Selection of Books on Liberty"

At a time when political principles are in short supply, *For A New Liberty: The Libertarian Manifesto* stands as the clearest, most comprehensive statement of the principles of freedom. In his own unique style, Murray Rothbard makes the case for liberty and tackles the difficult and complex issues that conventional thinkers never dare to confront. This book is challenging, provocative, and above all, optimistic—a ray of hope for a new society where freedom is reborn. It should be read and read again by all serious lovers of liberty.

ORDER NOW. *USE THE POSTAGE-PAID RESPONSE CARD IN THIS MAGAZINE.*

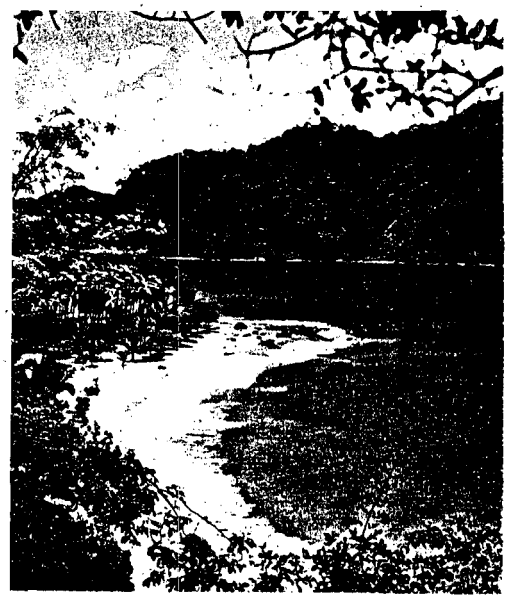
ONLY $6.95 FROM LAISSEZ FAIRE BOOKS

CHARGE YOUR ORDER BY PHONE
You can order by phone and charge your VISA or MasterCard. Call (212) 460-8222 between 10:30-6:00 Eastern time, Monday through Friday.

MONEY BACK GUARANTEE If for any reason you are unhappy with your order, just return it within 30 days for a refund.

VACATION IN COSTA RICA WHERE YOU'LL LEARN HOW TO WRITE OFF A LOT MORE THAN JUST YOUR VACATION

Make your next vacation in beautiful Costa Rica, the garden spot of the world, an informative tax deductible vacation.



BI-MONTHLY INVESTMENT CONFERENCES.

The American Association of Financial Professionals Inc. (AAFP) sponsors bi-monthly investment conferences in San Jose, Costa Rica. As mentioned in the free brochure, which you may receive upon request, all of your expenses including air fares and hotel accommodations can be completely tax deductible. The next conference which will have over 100 one-hour investment workshop seminars is scheduled for April 19 – 25, 1985. The conference will be held at the modern Irazu Hotel. Over 3,000 Americans attended our last conference in Costa Rica and not a single one asked for their registration fee refund on our money back guarantee which is explained in the conference brochure.

A free four-hour sailing trip on a modern 53 foot yacht, a free airplane trip over the mountains, a free all day jungle train ride, free bus tours across the mountains to the Pacific and a free sightseeing tour of San Jose are part of the $200 a couple registration fee. The brochure also mentions upcoming AAFP conferences in Orlando, Los Angeles, Hawaii, Vancouver, London, Paris, Houston, Dallas, Phoenix and other cities that are scheduled in 1985.

The AAFP also publishes the FINANCIAL PROFESSIONAL magazine for its members. 350,000 copies of the current 112 page issue were printed. The publication is to help working financial planners, trust officers and advisors better serve their clients and to assist the individual who does his or her own financial planning. The FINANCIAL PROFESSIONAL is not sold on newsstands because of its price ($7.50 a copy), but one may obtain a complimentary copy of the current issue by enclosing a $2 check (or cash) with the coupon to cover the first class mail postage. Your $2 will, of course, be immediately refunded if not satisfied. The current issue also contains information about the upcoming AAFP investment conferences and information regarding AAFP membership.

Please send me your free brochure on your upcoming conferences in Costa Rica _____

Name _____

Address _____

City _____ State _____ Zip _____

Return to: AAFP, P. O. Box 1928, Cocoa, FL 32923.

FLY EASTERN TO COSTA RICA

four percent. In a *Los Angeles Times* op-ed piece, Ernest Conine pointed out that House Ways and Means chairman Dan Rostenkowski (D-Ill.) is already on record for repeal of indexing. And Conine suggests that with the memory of 1984 campaign promises quickly fading, President Reagan might fudge his vocal pro-indexing position.

Time will tell. The anti-indexing forces may well mobilize as the year goes on, and they'll probably revive their old canard about how indexing is just a sop for the rich. When they do, don't believe it. As the Henderson study shows, indexing is welcome tax relief, especially for people who can use the relief the most. And it forces the powers that be to play straight with taxpayers.

PAY PHONE PERMISSIVENESS

When the average consumer is counting his or her blessings these days, what belongs at the top of the list? Ralph Nader? Product-safety legislation? Tony the Tiger commercials? Hardly. Three far more plausible candidates are new technology, deregulation, and competition. Already, these three—often working in tandem—have made any number of consumer products and services more affordable and pleasant, and before long, yet another example will be coming down the pike. It is the humble pay phone.

Virtually every pay phone in the country is now owned by local telephone companies, but that monopoly is fated to go the way of hula hoops and the New Deal. Last June the Federal Communications Commission (FCC) voted to give private parties the choice of installing their own pay phones instead of renting them from Ma Bell's progeny and cousins.

The FCC action is important, but as a recent article in *Regulation* magazine pointed out, the advent of private pay phones "owes as much to advances in telephone technology as to the trend toward deregulation." The recent state of the pay-phone art was such that equipment in telephone companies' central offices had to verify coin deposits, return the coins whenever there was a busy signal or no answer, and more. No longer. There are now "smart" pay phones that, by virtue of internal circuitry, can accept coins, time calls, and so on—all using regular phone lines and

Our name says it all . . .

The Pragmatist

We offer pragmatic, logical arguments for why freedom works. Arguments which will allow you to hold your own in any discussion advocating Libertarianism. Never again will you find yourself offering pointless tautological "answers" to the problems the State has created. THE PRAGMATIST is a newsletter that gathers and networks information which will allow you to state your case from a clear vantage. Subscribe to THE PRAGMATIST today and understand the practical reasons for advocating freedom.

☐ Yes, I want to subscribe, here's my $6.00 for 6 issues.

☐ I'd rather see a sample copy, here's my $1.00 for one sample issue.

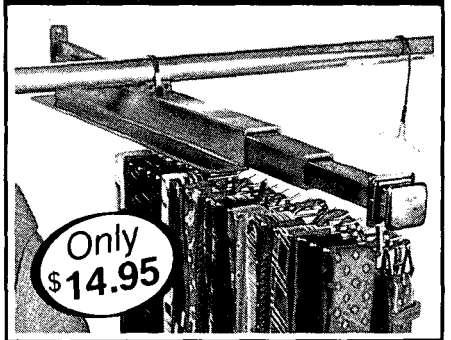
Name

Address

City State Zip

The Pragmatist P.O. Box 392 Forest Grove, PA 18922

ORGANIZE THOSE TIES & BELTS with the Original Telescoping Closet Organizer



- Pulls out for easy selection
- 42 bars for ties, belts & other accessories for men and women
- Quality, precision construction
- 30 day money back guarantee
- Uses less than 4" of closet space
- Fits any closet rod

Please send me ____ Extendable Tie and Belt Rack(s) at $14.95 (plus $2.50 shipping and handling) each. Enclosed is my check for $ ____ or charge card number.

Name ____ please print

Address ____

City ____ State ____ Zip ____

Account No. ____

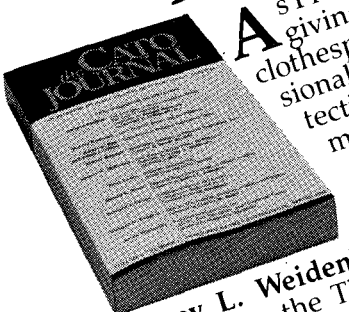
☐ VISA ☐ MASTERCARD

Exp. Date XTENDABLES® Signature

P.O. Box 3296 • Tallahassee, Florida 32315

TOLL FREE 1-800-821-5226 (X402R)

Protectionism: Back in Style?



As President Reagan defends free trade while giving us restrictions on everything from clothespins to automobiles and some congressional Democrats call for sweeping new protectionist measures, the case for free trade may be forgotten. In this volume 17 distinguished scholars and policy analysts examine today's international trade situation. Contributors include **Murray L. Weidenbaum** on U.S. barriers to free trade, **Melvyn Krauss** on the Third World, **Paul Heyne** on the trade-deficit myth, **Earl Ravenal** on national security, and **Ronald Krieger** on economic misunderstanding. This issue of the *Cato Journal* is a comprehensive survey of current trade issues. **$5.00/issue, $15.00/yr.**

Please enclose payment with your order. Cato Institute, Dept. R, 224 Second St. S.E., Washington, D.C. 20003.

the CATO JOURNAL

Find out about financial opportunities overseas...at my risk and expense!

(And help me prove a point.)

* Gain security and privacy by using an overseas bank. You can even get a Gold Card from one of the biggest banks in London, which will allow you a $10,000 line of credit in any currency anywhere in the world. And your interest charge will be only about 10%!

* Invest in international mutual funds. Top overseas funds grow in value by 25% to 100% annually. These funds allow you to profit from booming foreign economies—without becoming an expert on international firms.

* Buy furs and luxury automobiles at half price. Take advantage of business travel bargains that allow you to fly at savings of as much as 70% off the full fare.

Dear Reader,

As publisher of the *World Financial Review,* I am willing to introduce you to the rich world of international business and investment opportunities **at my own expense.**

World Financial Review normally sells for $78 per year. This special introductory offer, however, allows you to try a 5-month subscription for just $18. That's a full $60 off the annual price.

What's more, I wouldn't ask you to spend even $18 on my say-so alone. If, after you've read the *World Financial Review* for 5 months, you decide you haven't gotten many times your money's worth, **I'll refund every penny of your subscription money.**

That is a "can't lose" offer. And I hope you'll take advantage of it.

For 2 reasons. One is personal. When we started the *World Financial Review,* other publishers told me that it would never succeed. They said that Americans weren't interested in international opportunities and would never subscribe.

Baloney, I said. Americans are as interested in financial security and increased profit as anyone. The only reason they don't subscribe to international investment publications is because the price is too high. (As much as $675 annually for some publications.)

With that, I pledged to reduce the price of international investment information and make it available to as many people as possible. Your response to this offer will prove my point. Or it will prove I was wrong.

Of course, there's another reason much more important from your standpoint for you to take advantage of this exciting offer. You will get information which will help you profit tremendously, save money, protect your assets, increase your financial privacy, and expand your financial horizons.

THE WORLD FINANCIAL REVIEW SAVES YOU TIME AND MONEY

The *World Financial Review* saves you time and money by reviewing and digesting dozens of the world's leading financial publications, such as: *The Financial Times of London, Hong Kong Standard, Far Eastern Economic Review, The Economist, Euromoney, The Australian Financial Review*...and many others.

You'll get up-to-date information on: **Overseas Banking. International Stock Markets. Political Risks. Lands of Opportunity. Tax Savings and Tax Havens. Business Opportunities.**

OBJECTIVE, PERFORMANCE-BASED INFORMATION

You'll find specific information comparing P/E ratios of the world's markets, growth rates, earnings relative to capitalization, volatility and so on. Facts. Facts. And more facts. Facts that give you a quick and easy point of reference for understanding stock price movements.

The same is true for international mutual funds. Each month you'll see which international mutual funds are performing best. We keep track of more than 600 different funds...not just those headquartered in the United States, but foreign funds as well...such as the one in England that has shown a 78% growth each year for the past 5 years. Or M&G Recovery, which has increased in value 16-fold in the past 15 years!

No other publication gives you such broad and up-to-date information on international mutual fund performance. (And we'll send you a free introductory report on the funds when you subscribe.)

You'll also get a unique currency forecast performance review, telling you not only what the experts are saying now...but how good their advice has been in the past.

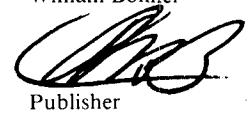
No other publication gives you such a thorough, regular view of currency predictions. This alone is worth the subscription price.

The *World Financial Review* also brings you useful "how to" articles that show you in simple step-by-step terms how you can benefit from the many international opportunities the world has to offer.

In addition, you'll receive a **FREE BONUS REPORT** that describes the benefits...and the pitfalls...of international mutual funds. It also gives you the basic information you need to easily take advantage of these funds...without ever leaving your own home town.

I'll look forward to hearing from you.

William Bonner



Publisher

P.S. How can we afford to offer such a valuable publication for just $18? Frankly, we can't. We'll lose money on every subscription we sell at that price. But we're willing to pay the cost. Because we believe that when you are introduced to the rich rewards of international opportunities, you will renew your subscription at a higher rate. If you do, we'll make money. (And so will you. Otherwise, you won't renew.)

SPECIAL INTRODUCTORY OFFER

☐ Yes, I want to take advantage of your special INTRODUCTORY offer. I understand that for just $18, I'll receive 5 months of the *World Financial Review,* plus a free bonus report on international mutual funds. I also understand that if I decide I haven't gotten my money's worth after 5 months of the *World Financial Review,* I will receive a full refund.

☐ Enclosed is my payment of $18. ☐ Please bill my MasterCard/VISA (circle one).

Account #_____ Expiration date _____

Signature _____

Name _____

Address _____

City _____ State _____ Zip _____

WR2

U.S. Subscription Office: 824 E. Baltimore St., Baltimore, MD 21202

LICENSED TO INZORG

no central office or operator assistance.

The FCC didn't go as far as it might have, however. Instead of mandating full deregulation of pay phones, the commission is permitting state regulators to decide the rules for private pay phones and set their rates. This may create problems, though, since state public-utility commissions hostile to deregulation may have the opportunity to make mischief. In Minnesota, for example, instead of letting the parties work out their own arrangement, regulators have set a monthly fee that a business with a private pay phone must pay to the phone company for use of a line, as well as a fee for each call after the first 200 calls every month. It is not yet clear how much state regulation of this kind the FCC will permit, but *Regulation* noted that at least "some degree of nationwide deregulation is assured."

How will this new competition between the phone company's pay phones and the new private pay phones affect the consumer? *Regulation* predicted a wide variety of new pay phones will be available. Some will take calls for across the city, others for across the state or country. Some will take different credit cards. And perhaps most important, there should be new price competition where there is none currently.

So if it is not thwarted by overzealous state regulators, this one small deregulatory reform, along with the new technology that makes it widely feasible, should improve the lot of consumers more than a hundred Ralph Nader harangues and a thousand new bills in Congress ever would.

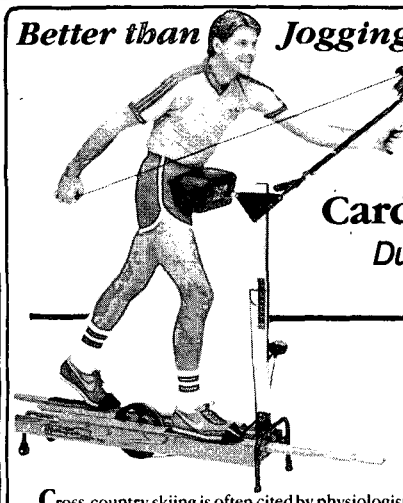
MILESTONES

• *Animal liberation.* A management audit of the Los Angeles Recreation and Parks Department has called the city zoo's management inadequate and declared that the city should consider turning the zoo's management and operation over to the private Greater Los Angeles Zoo Association.

• *Solicitous opinion.* The New York Court of Appeals, the state's highest court, recently ruled that lawyers may use direct mail to solicit accident victims as clients. State laws throughout the country have prohibited lawyers from such solicitation.

—ROBERT W. POOLE, JR., PAUL GORDON, AND ERIC MARTI

Better than Jogging, Swimming, or Cycling...



NordicTrack

Jarless Total Body

Cardiovascular Exerciser

Duplicates X-C Skiing for the Best way to Fitness

Cross-country skiing is often cited by physiologists as the most perfect form of cardiovascular exercise for both men and women. Its smooth, fluid, total body motion uniformly exercises more muscles so higher heart rates seem easier to attain than when jogging or cycling. NordicTrack closely simulates the pleasant X-C skiing motion and provides the same cardiovascular endurance-building benefits–right in the convenience of your home, year 'round. Eliminates the usual barriers of time, weather, chance of injury, etc. Also highly effective for weight control.

More Complete Than Running

NordicTrack gives you a more complete work out-conditions both upper body and lower body muscles at the same time. Fluid, jarless motion does not cause joint or back problems.

More Effective Than Exercise Bikes

NordicTrack's stand-up skiing motion more uniformly exercises the large leg muscles and also adds important upper body exercise. Higher pulse rates, necessary for building fitness, seem easier to attain because the work is shared by more muscle mass.

Even Better Than Swimming

NordicTrack more effectively exercises the largest muscles in the body, those located in the legs and buttocks. When swimming, the body is supported by the water, thus preventing these muscles from being effectively exercised. The stand up exercising position on the NordicTrack much more effectively exercises these muscles.

A Proven, High Quality Durable Product

NordicTrack is in its 8th year of production. NordicTrack is quiet, motorless and has separately adjustable arm and leg resistances. We manufacture and sell direct. Two year warrantee, 30 day trial period with return privilege.

Folds and stands on end to require only 15" x 17" storage space.

Call or write for...

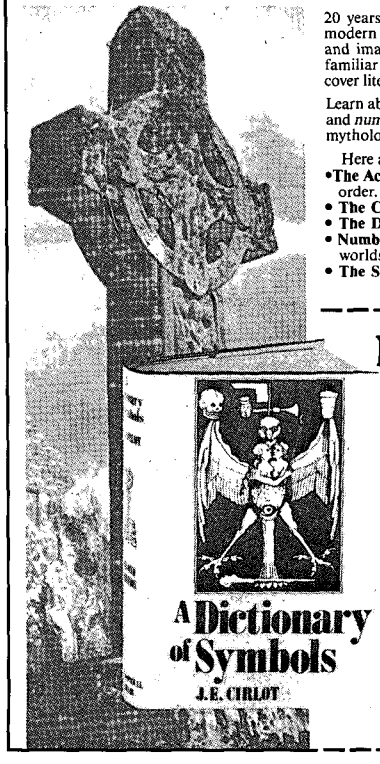
FREE BROCHURE

Toll Free 1-800-328-5888

Minnesota 612-448-6987

PSI 124RE Columbia Crt., Chaska, MN 55318

A Very Unusual Dictionary of the Origin of Symbols.



20 years ago, Juan Eduardo Cirlot, the leader of the School of Barcelona modern art movement, assembled a fascinating dictionary of symbolic words and imagery. This dictionary soon became a classic. These mysterious and familiar symbols, drawn from the religions, arts and beliefs of East and West, cover literally centuries of symbolic imagery spanning ancient times to modern.

Learn about the universal fascination with the *dragon;* the subtle power of *colors* and *numbers;* the ancient mysteries of *alchemy,* the *Tarot,* and the *Cabala;* about mythology, cosmology, and dreams and more.

Here are just a few surprising facts about symbols you will find in this book:

- **The Acrobat.** The symbol of reversal, with the power to upset the established order.
- **The Crow.** The great civilizer and the creator of the visible world.
- **The Dance.** The universal symbol for creation.
- **Number Nine.** The triplication of the triple—a complete image of the three worlds: the corporeal, the intellectual, and the spiritual.
- **The Stranger.** Stands for the possibility of unseen change.

Offer good only in the continental U.S.A.

SINCE 1873 **Barnes & Noble** BOOKSTORES
126 Fifth Ave., Dept. D45
N.Y., N.Y. 10011

Pub. at $22.50
BY MAIL ORDER ONLY
$9.95

1026004. Please rush me_____copies of *A Dictionary of Symbols* at your special sale price of $9.95 (plus $1.25 shipping and insurance). *N.Y. and N.J. residents: Please add sales tax.* **30-Day Money-Back Guarantee.**

Name

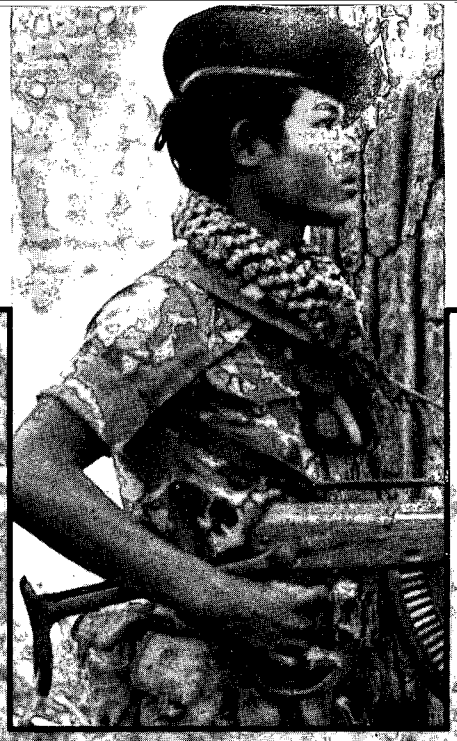
Address

State Zip

CHARGE IT! Check one ✓ ☐ VISA ☐ MasterCard

Account# Exp. Date

Signature © 1983, Barnes & Noble Bookstores, Inc.



Once a peaceful land, Cambodia ha
Now, a strange and uneasy allianc
to free the Khmer people from the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

suffered a decade of unspeakable horrors.
of Communists, liberal democrats, and monarch loyalists is struggling
Soviet-backed Vietnamese occupiers.

FIGHTING THE SOVIET IMPERIALISTS:

THE KHMER IN CAMBODIA

By Jack Wheeler

Seeing the ruins of Angkor, built in the 12th century by the Khmer civilization of southeast Asia, is an experience that has always remained with me. I remember walking alone at night through the temples, staring up at the gigantic carved stone face of the gate at Angkor Thom bathed in moonlight. During the day, I would visit Buddhist sanctuaries and shrines nearby and talk to the monks, with their shaved heads and their bright saffron robes that contrasted so sharply with the ancient grey stone of Angkor and the dark green jungle of Cambodia. The year was 1961, and I was 17 years old.

Cambodia was then a land of serenity, with a gentle and tranquil people who were at peace with themselves and the world. No one, I think, could have guessed what indescribable tragedies awaited it and all of Indo-China.

In July 1984, as the start of a second tour of anti-Soviet resistance movements around the world, I was on my way to Indo-China once again. The Thai Airways flight from Manila to Bangkok crossed the Vietnamese coast at an unmistakable location: Da Nang. It was eerie seeing the coastline appear—recognizing with a start the straight line of beach, the sandy spit and sugarloaf next to the river—then continuing smoothly at 35,000 feet over the land where the Vietnam war was fought.

The eeriness was intensified by the luxury of the Thai "Royal Executive Class": lobster and champagne seven

Photographs by Jack Wheeler

The most thrilling sight at one refugee camp was the scores of stalls in the markets, selling food, sandals, soap, anything—capitalism in action.

At the Rithysen refugee camp, residents have created a bustling market, where anyone with a good to sell or service to offer has set up shop along the dirt streets. Inset: Guerrilla leader Rem Saroum, his body tattooed with religious writing, is becoming a Robin Hood legend among the Khmer people.

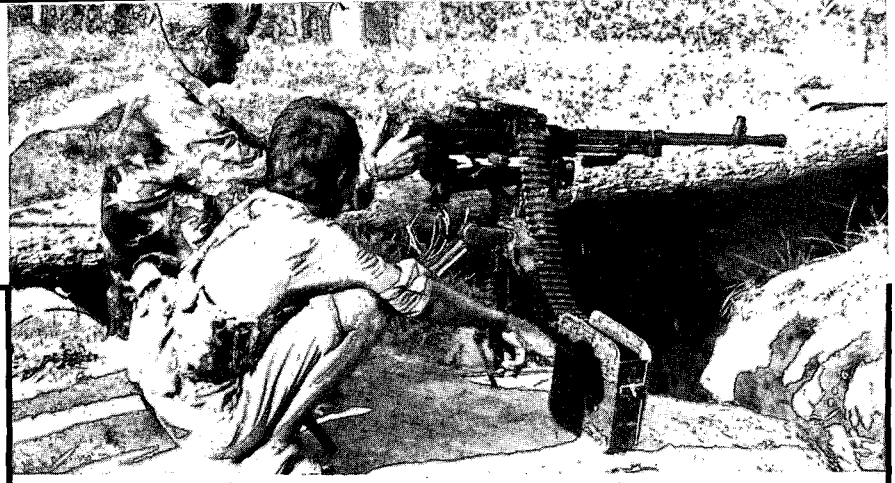
miles in the sky, the suffering and anguish down below, so distant and unreal. I had to remind myself that all those people—the brutalized villagers and farmers, the Montagnard tribesmen with whom I once lived and hunted tigers in the Central Highlands, the thousands of wretched prisoners in the concentration camps, the Communist dictators and the guerrillas who are fighting them—were actually down there.

The plane passed imperceptibly into Laos, then over the Mekong River, wide and muddy, forming the Lao-Thai border, and we began our descent to Bangkok. From there I traveled to the Cambodian border, passing through the various Thai military checkpoints on the way, and finally met with those I had come to see: guerrillas of the KPNLF—the Khmer People's National Liberation Front. With KPNLF escorts, I went inside Cambodia and for 10 days in mid-July observed their impressive fight against Cambodia's Soviet-backed Vietnamese occupiers.

The story of Cambodia's nationalist resistance is an extraordinary one of tattooed guerrillas, their bodies covered with magical words in Khmer script to protect them from harm. Of motocross guerrillas, charging off to attack and harass the enemy on Enduro dirt bikes. Of Robin Hood guerrillas like Rem Saroum, fast becoming a legend among villagers for protecting them from raping and pillaging Vietnamese soldiers. Of anti-Marxist guerrillas, whose leaders, with romantic names like Chia Chhut and Sak Sutsakhan, admire America and envision a liberal democracy for Cambodia. It is also a story of hope for the 70,000-square-mile former French protectorate, which has endured a ghoulish nightmare for the past decade and is now a part of Soviet Indo-China.

The kingdom of Kambuja, anglicized to Cambodia, arose along the southern Mekong and the Tonle Sap lake in the seventh century. Its kings claimed descent from the deity Kambu and his mistress Mera, eponym of the Khmer people. Over the centuries, its fortune and territory expanded and receded variously according to struggles with such neighbors as the Chams, the

ELECTRONIC REPRODUCTION PROHIBITED



The New Anticolonialism

It is perhaps not surprising that, in the struggle to throw off Western colonialism, so many of the Third World's "national liberation movements" have embraced the anticapitalist, anti-Western ideology of Marxist-Leninist socialism. And they often have had the backing—military, economic, and rhetorical—of the Soviet Union.

Today, however, this association is rapidly becoming a relic of the past. What is emerging might be called "the second stage" of post-World War II anticolonialism.

My first investigation of this new phenomenon of anti-Soviet liberation movements, in 1983, took me to southwestern Asia, Africa, and Central America, where I went clandestinely into freedom fighters' territory. Then, in the summer of 1984, I made a second foray to anti-Soviet resistance movements around the world, which included 10 days with the Khmer People's National Liberation Front in Cambodia. This second tour also took me into Laos, among the Hmong guerrillas who are fighting the Vietnamese and Soviets, and into Burma, where tribal rebels are resisting the Marxist regime of Ne Win. From there I went back to Afghanistan, then to Africa (where I met and interviewed Mozambique resistance leader Alfonso Jacama), and from there I ventured on to Central America and clandestinely inside Nicaragua, to meet again with various rebel groups battling Sandinista tyranny. Each case was different, but I found a growing rejection of Soviet imperialism throughout the Third World.

There are wars of liberation in eight parts of the Soviet Empire right now—in Nicaragua, Angola, Ethiopia, Mozambique, Afghanistan, Laos, Cambodia, and Vietnam. The emergence of these anti-Soviet armed insurgencies may point to the end of Soviet expansionism and the start of its contraction.

—J. W.

Annamese, and the Siamese.

In the 19th century, the Siamese (Thai today) overran so much of Cambodia that King Norodom I chose to make Cambodia a French protectorate in 1863. Remaining a part of French Indo-China (along with Laos and North and South Vietnam) until after World War II, Cambodia was recognized as an independent state in 1949 within the French Union. It took the 1954 Geneva Convention, however, to rid the country of both French and Vietminh (Ho Chi Minh Communist) troops.

In 1955, King Norodom Sihanouk, who had ruled since 1941, abdicated his throne and was subsequently elected prime minister, promptly leading his government into a formal secession of Cambodia from the French Union. There followed a few precious years of peace and calm. But while the 1960s ticked by, Sihanouk, a vacillating ruler who played all sides, could not prevent his country from being slowly and relentlessly sucked into the maelstrom of the terrible war developing to his east, in South Vietnam.

In 1970, a group of officers in the Cambodian military led by General Lon Nol overthrew Sihanouk. For the next five years, the Lon Nol regime, enmeshed in a hopeless welter of corruption, became increasingly incapable of fighting off a ferociously determined army of guerrillas led by Marxist revolutionaries. From the mid to late '60s, these revolutionaries had all vanished into the jungles of eastern Cambodia after having been trained and armed for guerrilla warfare by North Vietnam and China. Their leader, Saloth Sar, assumed the revolutionary name Pol Pot, and while they called their movement *Angka Loeu*, the "Organization on High," the world was to know them as the Khmer Rouge, the Red Khmers.

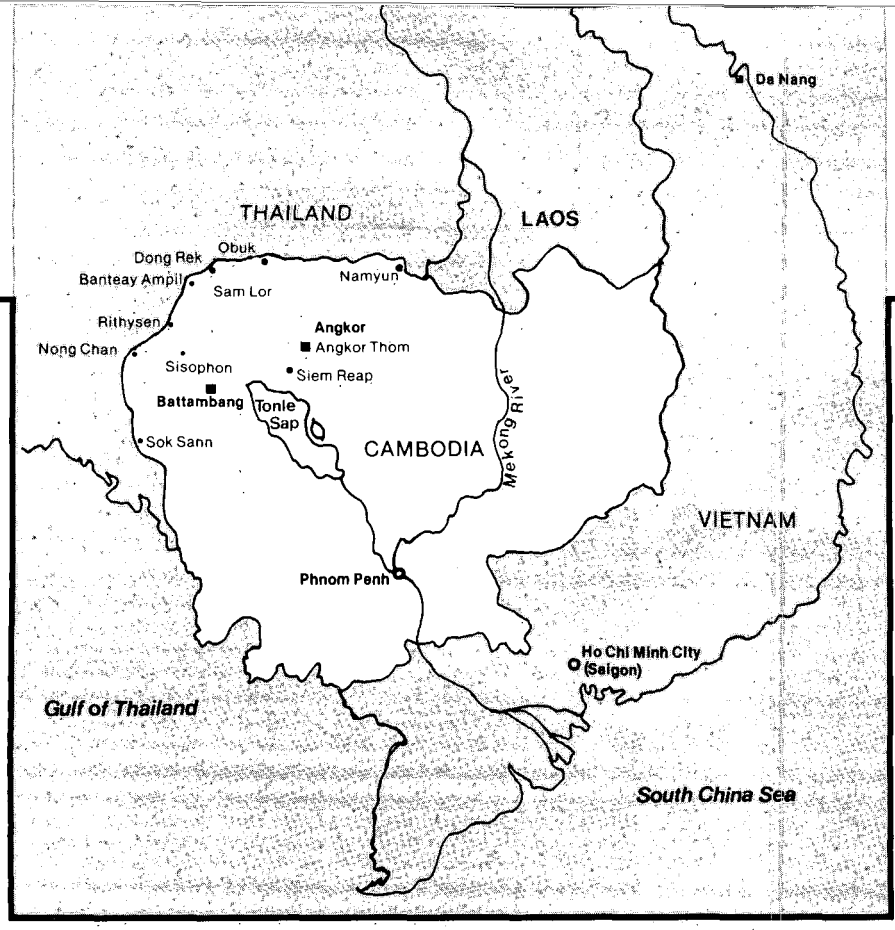
Darkness descended on Indo-China in 1975. On April 30, Saigon fell to the North Vietnamese. On August 23, the capital of Laos, Vientiane, fell to the Laotian Communists, the Pathet Lao. But April 17 was the worst of all. At 7:00 A.M., Khmer Rouge troops entered the Cambodian capital, Phnom Penh. By 9:00 A.M. they were forcing hospital patients out into the streets, demanding the entire city be evacuated. Ten days later, Phnom Penh was a ghost town, its 3 million inhabitants (and several hundred thousand more from other evacuated cities) thrust out into the jungles without food, clothing, or shelter, and told: "Everything, all property of any kind, now belongs to *Angka.* Cities are evil. Everyone is now equal and must work in the fields." Anyone who protested in the slightest way was immediately killed.

Perhaps only those who personally experienced the horrors of the Nazi death camps or the Soviet Gulag can fully grasp what the Khmer people suffered under Pol Pot. Almost half of the country's entire population perished from execution, starvation, and disease—*2 to 3 million*, perhaps more, annihilated in a frenzy of Marxist, envy-fueled fanaticism. Descriptions from Khmer men and women who survived Pol Pot's three years and nine months in power leave one stunned and silent. A typical story is that of Lavi Son, from Battambang.

"I had been a major in the Lon Nol army," Lavi Son told me last July, "but I pretended to be nothing more than a janitor and factory worker during the Khmer Rouge years. I had to be very careful not to speak too intelligently and to use poor grammar. The Khmer Rouge killed all the school teachers, all the high-school students, all the college students, all the doctors, businessmen, shopkeepers, monks, and nuns. They would tell the illiterate and poor: 'You must kill all who think they are smarter or better than you, or else they will end up being your boss someday and exploit you.'

"Everyone, from small children to the oldest man or woman," Lavi Son recounted, "had to work hard all day every day—365 days a year, no days off, no holidays ever. If you refused or they thought you weren't working hard enough, you must be an imperialist trying to sabotage the revolution: bang, they shoot you dead. The Khmer Rouge seemed to get a special pleasure from beating children to death with bludgeons and clubs, to see if their parents cried. The parents had to watch while their babies were murdered before their eyes, and if they cried, it was proof they were counterrevolutionary—any tears, any tears at all, and they were beaten to death too."

Although the Khmer Rouge were



trained and armed by the North Vietnamese, a comradely alliance did not develop between them after their respective victories. Hanoi, as close as "lips and teeth" with Peking during the Vietnam war, spurned China after conquering South Vietnam and aligned itself with the Soviet Union. The Khmer Rouge, however, remained tied to the Red Chinese.

An increasing truculence developed between Hanoi and Phnom Penh, occasionally breaking out into open hostility and artillery exchanges. The denouement came in January 1979. Financed, armed, and sanctioned by Moscow, the Vietnamese invaded Cambodia with 60,000 troops. Pol Pot and his followers fled into the jungles, Hanoi installed a client regime in Phnom Penh led by Heng Samrin (a former Khmer Rouge commander who decamped to Vietnam after helping to lead a failed coup attempt against Pol Pot in 1978), and the Cambodian people welcomed the Vietnamese as liberators. Today, six years later, the Khmer people no longer see the Soviet-backed Vietnamese as liberators.

Popular support within the country has yet to be achieved by the Heng Samrin regime. Diplomats on the scene have recently observed that the regime's political base is "virtually nonexistent"—not surprising, since at least one-third of its leaders (including Heng Samrin) were once Khmer Rouge. (An interesting parallel is in Nicaragua, where most of the local officials of the Sandinista "Defense Committees" are former Somoza officials: instead of joining the Contra guerrillas, the "Somocistas" form the bureaucratic backbone of the Sandinista government.)

The Hanoi satellite regime has gained no diplomatic recognition outside the Soviet Bloc, with the single exception of India. It exercises no civil or military authority independent from Vietnamese cadres and advisors. The Heng Samrin "government" in Cambodia is a facade for the Vietnamese in the same way that the Moscow-installed Babrak Karmal regime in Afghanistan is for the Soviets.

Rather than liberators, the Vietnamese, backed and funded by the Soviets, are today increasingly seen by the Khmers as imperialist aggressors and colonialist exploiters. There are now about 180,000 Vietnamese military and civilian personnel inside Cambodia, perhaps as many as 200,000. And some 700,000 Vietnamese settlers have appropriated much of the best land. According to refugees from Cambodia's interior with whom I spoke, only Vietnamese are now allowed to fish commercially in the Tonle Sap, and they are taking everything that swims out of Cambodia's great lake, upwards of 100,000 tons of fresh fish a year.

Once, much of the world admired the followers of Ho Chi Minh for heroically resisting the onslaught of a mighty superpower. Once, they were lionized at diplomatic receptions around the globe as anti-imperialist champions of the Third World. But all that has changed with the international condemnation that followed Vietnam's invasion of Cambodia, condemnation that comes from the great majority of nonaligned states, too. As the Vietnamese refuse to discuss a negotiated withdrawal, their diplomatic isolation increases—especially from their neighbors in the Association of South East Asian Nations (ASEAN) alliance: Thailand, Malaysia, Singapore, Indonesia, Brunei, and the Philippines.

Once, the followers of Ho Chi Minh were hailed as guerrilla geniuses whose armed liberation movement prevailed against the French and the Americans. But today, although they possess the world's fourth-largest army (after China, the Soviet Union, and the United States), the Vietnamese cannot defeat the 12,000 lightly armed guerrillas of the KPNLF, who have become an effective, well-trained, and organized military force determined to rid Cambodia of imperialist-colonialist invaders. Today, for Hanoi and the followers of Ho Chi Minh, the shoe is on the other foot.

Though Cambodian armed opposition to the Khmer Rouge developed during the Pol Pot years and received some encouragement and material support from the Thai military, it was confined to the Thai-Cambodian border area and never numbered more than a few hundred men. In February 1979, shortly after the Vietnamese invasion, a respected general from the Lon Nol years, Dien Del, came from France to visit the border. By March, he had five anticommunist resistance groups coalesced into the KPNLA—the Khmer People's National Liberation Army—which professed its allegiance to a former prime minister of Cambodia and founder of the Cambodian Democrat Party, Son Sann.

Born in Phnom Penh in 1911, Son Sann had been a cabinet member 17 times, beginning in 1935, and was the president of the Council of Ministers under Sihanouk in 1968. After the Lon Nol military coup, Son Sann moved to France and gathered around him a number of Khmer exiles who were committed to achieving a multiparty parlia-

General Sak Sutsakhan: Since assuming command of the Khmer People's National Liberation Army in 1982, he has emphasized aggressive guerrilla tactics — with impressive results.

mentary democracy for Cambodia. In October 1979, Son Sann's and Dien Del's followers merged to form the KPNLF—the Khmer People's National Liberation Front. Son Sann became its president and the KPNLA its military force, with Dien Del as chief of staff.

Since early 1979, recruits had been pouring in from the interior of Cambodia and from the border refugee camps. Neither the Thai, French, US, nor any western government was able or willing to sufficiently arm and supply the fledgling resistance organization. The only offer of aid came from Peking, which was resupplying the Khmer Rouge at their guerrilla hideouts in the Malai mountains, in southwest Cambodia.

In the fall of 1979, Son Sann and Pol Pot agreed not to fight each other. Shortly thereafter, in November, a shipment of 3,000 Chinese weapons arrived at the KPNLF headquarters of Banteay Ampil.

In March 1981, another shipment of 3,000 weapons arrived from China. The KPNLF now had 7,000 men under arms, most of them protecting the refugee camps in static defensive positions, and had started guerrilla forays from military camps along the northern and southern sectors of the Thai-Cambodian border.

By mid-1982, the Chinese pressured the KPNLF to join the Khmer Rouge and the followers of Prince Norodom Sihanouk in forming the Coalition Government of Democratic Kampuchea (CGDK). (*Kampuchea* is the name the Khmer Rouge gave to Cambodia.) With Sihanouk as president, Khieu Samphan of the Khmer Rouge as vice-president, and Son Sann of the KPNLF as prime minister, the CGDK is currently recognized as the legitimate government of Cambodia by the United Nations, which, since 1983, has refused to acknowledge the credentials or seat the ambassador of Heng Samrin's PRK (People's Republic of Kampuchea).

Also in 1982, Dien Del was replaced as head of the KPNLA general staff by General Sak Sutsakhan, minister of defense under Sihanouk and military chief of staff under Lon Nol. From late '82 to early '83, with Sak Sutsakhan in command, four dozen KPNLA commanders went secretly to Malaysia for three months of intensive guerrilla-warfare training. A new emphasis was placed on guerrilla operations, trickles of weapons and supplies from Singapore and other ASEAN countries supplemented the little aid from Peking (compared to what was being given to the Khmer Rouge), and slowly the KPNLA grew to its current strength of 12,000 under arms.

Chia Chhut looks younger than his 42 years. He is taller than most Khmers, sinewy and trim, with an angular face of clean, straight lines, a wide, thin mouth, and high, smooth forehead. Tattoos of Cambodian script cover his feet, and there is a huge tattoo of the temple Angkor Wat on his chest. We were astride a log at the Tuorpchoek forward camp of the KPNLF, several kilometers inside Cambodia, and he was regaling me with stories of how he came to be a guerrilla commander. Several of his men had fanned out into the surrounding forests for security—the nearest Vietnamese-Heng Samrin position was only 500 meters away.

Chia Chhut had resigned as a 2nd lieutenant in the Lon Nol army, disgusted with its ineffectiveness. When the Khmer Rouge seized power, he hid in the jungle along the Thai border. With two friends, he stole three rifles and began sniper attacks against Khmer Rouge soldiers in the area, slowly capturing more weapons and acquiring more followers. By the time of the January '79 Hanoi invasion, Chia Chhut had a force of 150 men. His group was one of the original five forming the nucleus of the KPNLA under Dien Del.

As president of the Nong Chan refugee camp and military commander of KPNLA Zone 205, Chia Chhut now is responsible for the care and protection of more than 20,000 refugees and for the operations of some 4,000 guerrillas.

"Our men are divided into three forces," he explained. "Most of our men are deployed in a defensive line guarding the Nong Chan camp, as our primary obligation is the safety of our refugees. Next, we have special teams continually probing and harassing the Yuen [an extreme Khmer pejorative applied to the Vietnamese] and Heng Samrin bunker line and positions in the area. Finally, we have a number of deep penetration teams, which operate all the way to south of Battambang and around the Tonle Sap. They recently blew up a large ammo dump of 10 tons, a warehouse with 6,000 sacks of rice for the Yuen soldiers, and 20 PRK trucks at a fuel dump—all in the Battambang area."

As Chia Chhut and I were talking, two young boys came by, having walked since midnight from Sisophon 19 miles away, to sell dried fish at the Nong Chan market. Civilians are allowed to go back and forth as long as they pay taxes to the Vietnamese-Heng Samrin forces on the way. These boys both paid the equivalent of about 10 cents at each of the four Heng Samrin positions they passed. One of the boys, named Kim Poy, told us that a few days before at Tmosan village near Sisophon, Heng Samrin soldiers killed two Vietnamese soldiers who had robbed some villagers. There was a growing hatred between the Heng Samrin and Vietnamese troops, he related, and a growing hope among the villagers that the KPNLF could give them peace and freedom.

After charging back to his headquarters with his men on their Yamaha dirt bikes and offering me the rare luxury of a Thai beer chilled with ice, Chia Chhut displayed his briefing map. The KPNLF has eight camps along the border but all wholly inside Cambodia: at Sok

Commander Chia Chhut leads a band of "motocross guerrillas," who have found that Enduro dirt bikes make admirable vehicles for Cambodia's lush and muddy jungles.

Sann, Nong Chan, Rithysen, Ampil, Sam Lor, Dong Rek, Obuk, and Namyun. The Obuk and Namyun locations are military only, the others having large refugee populations as well (although the refugees at Ampil had been temporarily moved some distance north due to recent shelling by Vietnamese artillery). According to the KPNLF, of a half-million Cambodian refugees now living along the border (most in UN camps in Thailand), 160,000 were in KPNLF camps, the largest population, at 54,000, being at Rithysen.

The KPNLF reports that it has 20,000 trained soldiers but that only 12,000 have weapons. Of the 4,000 under Chia Chhut's command, 2,100, he said, were armed. The ANS (Sihanouk National Army), with whom the KPNLF is closely aligned, operates one camp at Tatum (plus a small battalion near Nong Chan), with some 5,000 men under arms and some 3,000 more trained but lacking weapons. The Khmer Rouge, on the other hand, has over 30,000 fighters, all well-armed and supplied by China, in three camps: one east of Tatum, one near the Thai-Lao-Cambodia triangle, and one in the Malai mountains, with another single battalion at Phom Chat, between Rithysen and Ampil.

Colonel Pann Thay, commander of the KPNLF Red Beret Special Forces, whose officers were the fellows trained in Malaysia, joined Chia Chhut and me at lunch—a delicious affair with small fried birds, fish (smuggled from the Tonle Sap) poached in coconut milk, roasted corn, and Thai whiskey. Pann Thay had undergone extensive military training in the '60s and early '70s in both France and the United States, but he had worked as an electrician in San Jose, California, for seven years before returning in 1981 to join the KPNLF. He now had a force of 1,100 red berets. Mostly operating in six-man teams throughout all of western Cambodia, these berets conduct raids, ambushes, sabotage, and long-range reconnaissance, as well as inform civilians about the KPNLF and occasionally fight armed Vietnamese settlers.

Pann Thay took me to his special-forces camp, where he arranged for me to interview, with himself as interpreter, a Heng Samrin defector. Thong Sarain, 29, had just defected from his post as deputy commander of the 73rd engineering battalion in the Heng Samrin army. He had joined the Heng Samrin army, he told me through Pann Thay, because he "hated what the Khmer Rouge did to my country." But eight months of political training in Vietnam in 1979 and nine months of school in Moscow in 1980 gave him unintended insights. "They [the Vietnamese and the Soviets] treat you like children," Thong Sarain said. "All they want is your obedience. If you do nothing but repeat their childish propaganda like a parrot, they smile and are friendly. But if you criticize and try to think for yourself, they frown and get suspicious. The Vietnamese and the Soviets are Communists just like the Khmer Rouge. They have no love for the Cambodian people and have no wish to see them free and independent."

Until mid-1983, Thong Sarain revealed, the Vietnamese and Heng Samrin forces had cooperated. But now, as dissension increases within the Heng Samrin regime, there is little else but mistrust and resentment. There are two to five Vietnamese advisors for every Heng Samrin company (100 or so soldiers), often one or two for platoons of 30 men. "All Heng Samrin officers must ask permission from their Vietnamese advisor for everything," Thong Sarain said. "There is no mingling, they eat and live separately. Civility is maintained, but all the Heng Samrin soldiers I know hate the Vietnamese now, and every so often, kill them."

Thong Sarain's words were to mirror those of several Heng Samrin army defectors I was to interview. They all talked of growing cooperation between Heng Samrin and KPNLF units, of a growing knowledge of the KPNLF as a noncommunist, democratic alternative for Cambodia. But they, like all Khmer people, were terrified of Pol Pot coming to power again, and many were not sure if the KPNLF is strong enough to prevent that ultimate nightmare should the Vietnamese withdraw.

A jovial man who likes wearing a colorful ascot to set off his camouflage fatigues and his red beret at a jaunty angle, Pann Thay was clearly in his element as he showed me around the camp and introduced me to his men, all of whom had that characteristic bearing of an elite military unit. Late in the afternoon one day we climbed aboard his Yamaha DT-125 motorbike and took an exceedingly muddy trail to Rithysen.

The next morning, Rithysen's governor, Thou Thon, a graduate of the Phnom Penh Law School, took me on a tour. Rithysen's population, Thou Thon told me, was 54,000 and growing every day, with, on average, 300 Khmer refugees arriving from the interior each week. "The Yuen send young boys to school in Vietnam, force them to join the Heng Samrin army, and 'mobilize' people to cut wood, build roads, work away from home," Thou Thon explained. "And if one person escapes, the rest of the family is put in jail, so the entire family must come. We are averaging about 100 South Vietnamese civilian refugees a week now, some all the way from South Vietnam. But most were sent to Cambodia as cadres or settlers, and they just keep going until they reach here."

Perhaps only those who experienced the horrors of the Nazi death camps or the Soviet Gulag can grasp what the Khmer people suffered under Pol Pot.

I had read in descriptions of a few years before about the desperate conditions of the refugee camps, with the horror of the Khmer Rouge years emanating from refugees' faces. All that now seemed clearly in the past. I saw people dressed well, no rags; well-fed, no emaciated Auschwitz look-alikes. The obvious pride the people took in their camp was evidenced by its cleanliness and orderliness—everything swept, little garbage or litter to be seen.

Every family at Rithysen has a small individual thatch hut on a vast grid of dirt streets. Most huts have a postage-stamp garden growing corn, tomatoes, manioc, or papayas; many have a vine-covered trellis in front for shade. There are schools, bakeries, churches, mosques, and Buddhist temples.

But the most thrilling sight of all are the scores and scores of tiny stalls and stands in the markets selling food, vegetables, cloth, smoked fish, sandals, batteries, soap, cigarettes—a welter of goods and merchandise either from Thailand or smuggled from the Cambodian interior. There are bicycle repair shops, tailors, doctors, and dentists—anyone who has anything to sell or a service to offer has hung out his shingle on the dirt streets of Rithysen. It is real capitalism in action.

This is where a new Cambodia can arise from the ashes, I said to myself as I got something to eat at one of the many food stalls. The vision of the future that the KPNLF holds out to the Khmer people was already here at Rithysen—and the contrast between it and Vietnamese-occupied Marxist Cambodia could not be, for these prospering refugees, more stark.

At the Nong Chan refugee camp, the Vietnamese-Heng Samrin forces had built a long bunker just a few kilometers away to try and block off the camp from the interior. But at Rithysen, a liberated area extending some 19 miles inside had been swept fairly clean of enemy presence. I went on a lengthy patrol through this area, first by bicycle, then on foot, with Rithysen's military commander, Sanh Ne, and a team of his men. Ploughing through shoulder-high elephant grass, we climbed to the top of a hill that overlooked Route 69. We could see Sisophon in the distance, and on the horizon were the Malai mountains, the lair of Pol Pot and his Khmer Rouge guerrillas.

"The situation is very different from last year," Sanh Ne said as he surveyed the flat, forested terrain beneath us. "Everywhere our men go, they have success now. The villagers feed and help our teams in the interior. Heng Samrin forces are collaborating with us more and more. If only we had more weapons and ammunition—and malaria pills."

On the way back, I was constantly greeting young camouflaged and armed KPNLF guerrillas making their way deeper into Cambodia. "We can only give them enough ammunition to get them started," Sanh Ne noted. "After that, they must capture what they need from the enemy." As you pass them by, the guerrillas and the civilians on the trails to the front lines stare at you with wonderment and passivity. But once you smile at them, immediately off come the hats and out come the broad smiles in return.

The KPNLF General Staff is at Ampil. It operates a Political Warfare School, with 6,000 graduates and 410 current enrollees studying ideology, intelligence gathering, strategy and tactics, civilian recruitment and organization, KPNLF structure and policy, geography, history, Cambodian culture, and first aid.

There is also a Military Training School instructing platoon leaders, company commanders, and officers, as well as an Applied Practice School, which teaches engineering, communications, logistics, and infantry and guerrilla tactics.

It was at Ampil that I met General Dien Del—flamboyant, gregarious, with a thin mustache that makes him look like a Chinese warlord and an unctuous smile that makes him look as if he is about to have you executed—and General Sak Sutsakhan, whose quiet authority and patrician demeanor make him the antithesis of Dien Del.

While remaining replaced by Sak Sutsakhan as chief of staff, Dien Del now had overall authority for KPNLF military strategy and policy. It was Dien Del who had directed a successful repulse of the Vietnamese at Ampil in April.

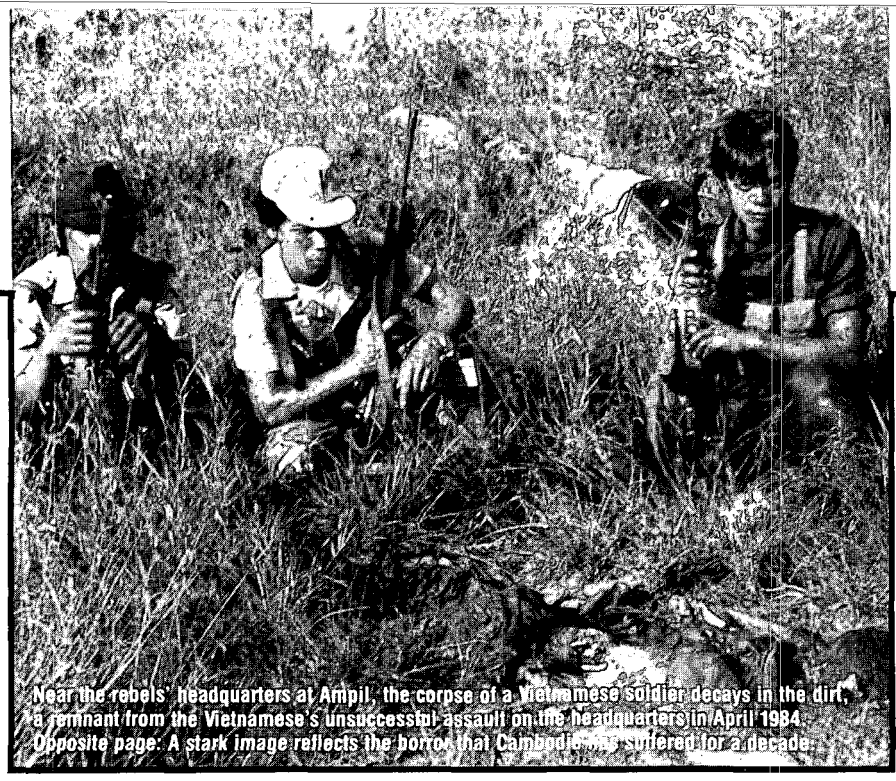
I spent several long and enjoyable hours talking with Dien Del, who, like Chia Chhut, is an unabashed admirer of America. "You Americans are smart," he said with an impish grin. "You are rich, because you understand that Marxism is stupid. Singapore understands this, and that is why it is rich as well." I had noticed several books on the Singapore economy in the general's room. "This is what we want for Cambodia"—the grin had turned into the killer smile—"an economy like Singapore's, like America's!" The smile vanished and was replaced with a fiery look of deadly anger. "But, you know, Marxism is worse than stupid, much worse. It turns men into criminals, into monsters like the Khmer Rouge, filling them with a crazy hatred."

Now he looked me in the eye, and the look was serious and earnest. "Let me tell you, though, the enemy isn't the Khmer Rouge any more. It isn't even the North Vietnamese. Our real enemy is the Soviet Union. It is the Soviet Union that is behind Vietnam, gives Vietnam the money and power to try and colonize us. That is why I look up to America and President Reagan. In the end, only America and President Reagan can protect us, or anyone else, from the Soviets."

It is a common observation of ASEAN diplomats that Vietnam's dependence on the Soviet Union is almost total. Without Soviet economic and military aid—estimated to be around $3 millon a day—the Vietnamese economy would crumble, it is widely agreed, and supplies to the Vietnamese occupational forces in Cambodia would disappear almost instantly. Still, even if the United States and ASEAN were able somehow to pressure Moscow into acquiescing to a negotiated withdrawal of the Vietnamese, that would nonetheless leave the Khmer Rouge.

"But only China can protect you from the Khmer Rouge," I responded. "It is China which supplies them like the Soviets supply the Vietnamese. Aren't you being caught in the middle?" I asked.

The general's eyes opened wide, then narrowed to slits. "It is true that of all the money and supplies our Chinese friends give to the [CGDK] coalition, 90 percent goes to the Khmer Rouge," he explained. "Some think this is because of an ideological bond between them. But



Near the rebels' headquarters at Ampil, the corpse of a Vietnamese soldier decays in the dirt, a remnant from the Vietnamese's unsuccessful assault on the headquarters in April 1984. Opposite page: A stark image reflects the horror that Cambodia has suffered for a decade.

"Marxism is worse than stupid. It turns men into monsters, filling them with a crazy hatred."

the Chinese are not Maoists themselves any longer. My opinion is that, up until recently, we were not strong or capable enough to be a real threat to the Yuen colonialists, while"—his voice became hard and bitter—"the Khmer Rouge have shown they are just as efficient at killing Vietnamese as they were at killing their fellow Khmers."

I had a chance to discuss this further with Sak Sutsakhan and members of his general staff. "When the KPNLF was formed, old cadres and army people joined with old ideas—they wanted a real army," Sak Sutsakhan pointed out to me. "It takes time to adapt to guerrilla fighting, to recruit and train good, effective fighters. We have come a long way in less than four years. Our successful repulse of the Vietnamese attack on our headquarters here at Ampil last April certainly surprised a lot of people. Perhaps now China—or America and ASEAN—will give us the weapons and supplies we need so desperately."

Colonel Ea Chuor Kim Meng, Sak Sutsakhan's chief of military operations, added, "We have stopped recruiting because we cannot arm and feed new men. If we had sufficient materiel and financial support, we could put 10,000 more men and officers to lead them in the field immediately, and within six to nine months, have another 20 to 25,000 men trained and fighting.

"You must understand that thousands of Khmer Rouge would defect to us if we could feed and equip them," the colonel continued, "particularly their recent recruits who have joined them to fight the Vietnamese, not out of any Communist sympathies. We know that America has been, how do you say—'traumatized?'—by its war with Vietnam. But the last thing we want or need is American 'advisors' telling us what to do or American troops fighting for us. All we need is an adequate amount of light arms, ammunition, medicines for fever, diarrhea, and malaria, first aid supplies, hammocks, boots, radios—and we can quickly become far stronger than the Khmer Rouge."

"Most of the Vietnamese soldiers facing us are from South Vietnam," Sak Sutsakhan's deputy chief of staff, Prum Vit, emphasized. "They—although not their North Vietnamese officers, I must admit—are becoming more demoralized as the fighting drags on. We are starting to get Vietnamese defectors now—you just interviewed one the other day, I believe—and dozens of Heng Samrin soldiers defect to us every week. The Heng Samrin forces, we have noticed in the past few months, seem to be losing their capacity and will to fight."

It was a young Annamese (from South Vietnam, that is) named Van Tui, from Saigon, whom I had interviewed earlier. Tui, 22, had been a platoon leader in Battalion 416 of the Vietnamese 5th Division before he defected on July 19. He had been drafted into the Hanoi army at age 18, as is every Vietnamese, and was sent to Cambodia two years later, in October 1982. According to Tui, so many South Vietnamese are not willing to fight, so many are deserting and returning home—or, now, starting to defect to the KPNLF and trying to get to the West—that Hanoi is replacing them more and more with North Vietnamese (with Tonkinese, that is, not Annamese) soldiers, whose morale remains higher. But even some of these are deserting, especially over disputes with their commanders. Tui no longer considered Vietnam his home: "My country has been conquered by North Vietnam and Communism. Vietnam has no freedom any more."

"We realize," Sak Sutsakhan concluded for me, "that it is unrealistic for us to aim for a total military victory over Hanoi. Our major priority is to create an effective organization among the Cambodian people, to gain their support and their confidence that we can protect them from both the Vietnamese and the Khmer Rouge.

"For there to be a free and peaceful Cambodia," he observed, "it will take a coordinated effort of guerrilla action; propaganda, both domestic and international; underground activities in the cities; civilian assistance; and diplomatic pressure on Vietnam and the Soviet Union by ASEAN, Japan, the United States, France, and others in the international community for a negotiated withdrawal of Hanoi's forces and free, UN-supervised elections. It is necessary for the diplomats to realize, however, that negotiations will be fruitless unless we are effective militarily."

The forward line of trenches the KPNLF dug at Ampil to fight off the Vietnamese offensive last April were, in July, still very much in place and manned. The forests had been felled from the camp out to the trenches and beyond for about 100 yards: no-man's land. A few hundred yards past the start of the forest were the Vietnamese army and artillery positions. As I made my way out to the trenches with a detachment of KPNLA soldiers, I reflected on the dilemma the KPNLF was in.

Days later, in Bangkok, I would have a meeting with Prince Ranaridth, the gracious and charming son of Norodom Sihanouk, in which the prince would speak about this dilemma. "One cannot trust Communists of *any* stripe," he said, but he emphasized that "we must be grateful to China for their help—and for holding down so many Vietnamese

troops on [Vietnam's] northern border. Both the KPNLF and our ANS [Sihanouk's army] get their weapons and ammunition *only* from China, *nothing* any more from ASEAN or the US. Thailand and the other ASEAN nations are putting diplomatic pressure on Hanoi to withdraw, but that is all.

"So, again, the answer to our 'dilemma,' as you say, is China. China's ultimate goal," Prince Ranaridth explained, "is the overthrow of the present government in Hanoi. A Vietnam aligned with and armed to the teeth by the Soviets, with the Soviet navy off Vietnam's coast, is intolerable to them.

"The Chinese," the prince told me, "train and equip Hmong, Lao-teung, and other Laotian tribespeople from a base south of Kunming to conduct guerrilla operations against the 80,000 Vietnamese troops occupying Laos. At this base the Laotians are given no lectures on Marxism or socialism whatever. The only propaganda they are given by the Chinese, which they are taught to deliver to the people of Laos, consists of denouncing Soviet-Vietnamese imperialism. The message is one of Lao independence and nationalism—of anti-colonialism. Marx and Mao are missing altogether. [This was later confirmed to me personally by the leader of the Hmong insurgents in Laos.]

"China is also funneling aid to several small guerrilla organizations in Vietnam itself," Prince Ranaridth continued, "the most active being the Montagnard group called Dega Phulro, in the Central Highlands, and Le Quoc Thuy's people in the Mekong Delta. I do not think the Chinese today have any great love for the Khmer Rouge. Of course, it makes Son Sann and my father sick to their stomachs to be aligned with Khieu Samphan and his *Angka* filth. But Peking has recently promised an increase in its assistance to us [both the KPNLF and the ANS], making us stronger. And when elections are held, as they will be someday, there is little doubt the Cambodian people will choose Son Sann and my father, who is still only 62, to lead them."

We had only been at the trenches for a few minutes when the Vietnamese laid down a mortar barrage. Most of the two dozen or so shells landed some 20 to 30 yards out in front of us in the no-man's land, but more than a few landed uncomfortably close, spraying us with dirt and debris. As the ordnance whistled in, I commented to the forward base commander huddled next to me in the trench, "This is a hell of a way to welcome a guest to your camp."

"It's just a little harassment," he assured me with a shrug. "Nothing to worry about. Sometimes the Yuen keep this up for hours. I only wish we had some ammunition for our mortars so that we could fire back."

The explosions of the shells made contemplation difficult, yet I couldn't help thinking about something I had seen on our way out to the trenches. It was the corpse of a young Vietnamese soldier, lying where he had fallen in the April offensive. His body was decomposing in the sandy Cambodian soil, and his skull, with its death grin, still had a thatch of black hair attached.

Hanoi calls anyone who opposes their occupation of Cambodia a Khmer Rouge. This kid, most likely a conscript from the South, was undoubtedly told he was in Cambodia to protect the Cambodian people from the forces of Pol Pot. And, admittedly, that is just what the Vietnamese army did in 1979. But that was six years ago, and they and their Soviet patrons have used their rescue as an excuse to colonize the country. (They have used a similar excuse—to help the communist Pathet Lao government fight the ethnic resistance—to colonize Laos).

So as Cambodians become more resistant to their presence, the Vietnamese soldiers, I was told, have become more brutal. Robbing and raping are occurring with increasing frequency, refugees informed me, especially in the more isolated villages. For these villages, their only succor lies in KPNLF commanders like Rem Saroum, who leads three 50-man commando teams in the area between Battambang and Seam Reap. I was told about one incident, for example, that occurred at the village of Kamping Puoy just weeks before I arrived in Cambodia, in which four Vietnamese soldiers repeatedly raped a 15-year-old girl until she was unconscious. Villagers ran to tell Rem, who, with 15 of his men, laid an ambush the following morning for the soldiers returning to the base of their battalion. Two of the soldiers were killed, the other two wounded, with two rifles and 250 rounds of ammunition captured.

But although the Khmer people suffer under the yoke of Hanoi, they fear a possible return of the *Angka* far more. The Vietnamese must stay as long as the Khmer Rouge are the alternative—that is the trap in which the Cambodian people find themselves.

As I recalled the putrefying carcass of the dead Vietnamese boy, the dark, empty sockets where once had been his eyes, I thought of the millions of other corpses that have rotted into the ground of Cambodia for the past 10 years. It is time, I thought, for this to end.

I recalled the words, spoken to me some days before, of Vora Huy Kanthoul, Son Sann's personal assistant, whose father was prime minister of Cambodia in the 1950s. "The KPNLF is the last, best hope for Cambodia. Our goal is not to seize political power. But we have seen what Marxism has done to our country. We want a *real* democracy, not some 'democratic people's republic' fraud, and *real* elections, not Soviet-style ones. We personally think Prince Sihanouk would be the overwhelming choice, but that is for voters, not us, to decide.

"Now, however, just as we have proven ourselves capable of repulsing major Vietnamese attacks, of creating a powerful guerrilla force and liberation movement, we urgently need the support of America and the West. We think we have earned it." ◻

Jack Wheeler has previously reported in REASON *on Third World anti-Soviet insurgents in Angola (April 1984), Nicaragua (June-July) and Afghanistan (Sept.). This article is a project of the Reason Foundation Investigative Journalism Fund.*

COMPETITION

(EXCEPT WHERE PROHIBITED BY LAW)

The antitrust laws don't promote competition — they stifle it. But then, consider their source.

By Thomas J. DiLorenzo

Successful businesses are routinely taken to court for offering great products at low prices, having thus become "dominant firms" in their industries. Cutting prices to meet the competition is a boon to consumers—but has been condemned by government authorities as "price discrimination" and "predatory pricing." When ready-to-eat cereal producers perceived that consumers want more than just plain corn flakes in the morning, they were accused of "sharing" a monopoly through the dubious tactic of "brand proliferation." The list of absurdities perpetrated in this country in the name of "antitrust" could go on and on.

The first antimonopoly law, the Sherman Antitrust Act, was passed nearly a century ago, and others have been added over the years. But disenchantment with these laws has been growing lately, for economists are finding plenty of evidence that they often suppress competition rather than encourage it.

Yale Brozen of the University of Chicago concludes that the antitrust laws "are themselves restraining output and the growth of productivity." Dominick Armentano of the University of Hartford offers even sharper criticism, charging that historical evidence shows the antitrust laws to be a major *source* of monopoly power, routinely used to protect inefficient firms. And Harold Demsetz of the University of California at Los Angeles says that if certain antitrust policies were continued, he would favor outright repeal of the Sherman Act. In fact, recent research has given rise to what Brozen calls "a revolution in economics—in that part of the field called industrial organization—which is nearly complete in the professional journals."

Despite all the evidence, however, economists are still generally inclined to have great faith in the necessity of antitrust laws in a competitive economy. They may admit that mistakes have been made, but the antitrust laws in general and the Sherman Antitrust Act in particular are still widely held as the guarantors of a competitive economy. There is a strongly held belief that there once was a "golden age of antitrust" in which these laws were implemented to brush back a "rising tide of monopoly power."

This is odd. In other domains, when a pattern of perverse economic behavior—in this case, the suppression of competitive activity in the name of antitrust—persists over several decades, economists usually ascribe it to something inherent in the institution itself. But not with antitrust. In one popular industrial organization textbook, F. M. Sherer proclaims that "in the United States... the enforcement of the antitrust laws is the main weapon wielded by government in its effort to harmonize the profit-seeking behavior of private enterprise with the public interest." Likewise Kenneth Clarkson and Roger L. Miller, in another well-known text, say that "antitrust laws have been legislated and enforced in order to keep business behavior and markets competitive." And another textbook author, Marshall Howard, praises the Sherman Antitrust Act as the "Magna Carta of free enterprise."

These economists are not rare in hailing the antitrust laws. In a recent survey of a sample of 600 economists, 85 percent agreed with the statement that "antitrust laws should be used vigorously to reduce monopoly power from its current level."

So despite mounting evidence that antitrust is *anti*competitive in its effects, there is strong sentiment in favor of even wider application of the antitrust laws! This apparent paradox, however, may have an explanation that is also quite revealing. The Sherman Act, considered by some to be the "Magna Carta of free enterprise," was probably never intended to promote competition! Instead, there is strong evidence that it was basically a legislative response to protectionist

Contrary to popular mythology, the Sherman Act was never intended to promote competition but to protect (some) competitors.

pressures in the late 19th century, much akin to the current clamor for an "industrial policy" designed to prop up the fortunes of US businesses that are under competitive pressure.

Like most government regulation, then, the Sherman Act was not designed to advance the "public interest" but benefited well-organized private interests, including 19th-century farmers, small businesses, and politicians. In short, it is a myth that the Sherman Act of 1890 was passed to promote and protect competition among businesses.

Major political support for the Sherman Act was first led by farmers' organizations such as the Grangers and the Agricultural Alliance, who were among the most potent political forces of the day. As historian Sanford D. Gordon recounts:

> Perhaps the most violent reaction of any single special interest group came from farmers. Besides their active participation in the early anti-monopoly movement... the Agricultural Alliance...regularly denounced trusts. They singled out the jute bagging and alleged binder twine trust, and sent petitions to both their state legislators and to Congress demanding some relief. Cotton was suggested as a good substitute for jute to cover their cotton bales. In Georgia, Mississippi, and Tennessee the Alliances passed resolutions condemning the jute bagging trust and recommended the use of cotton cloth.

When cotton cloth, produced by southern farmers, was being replaced by jute, they sought legislation that would dissipate their competition.

Gordon found this to be characteristic of the farm lobby. During the 51st Congress, which passed the Sherman Act,

> 64 petitions and memorials were recorded in the *Congressional Record*, all calling for action against combinations. These were almost exclusively from farm groups.... Not a single voice spoke up either in favor of, or expressing any neutrality toward trusts....The greatest vehemence was expressed by representatives from the Mid-West.

Many other groups soon joined in the antitrust coalition—small business organizations, academics, and especially "progressive" journalists. The *Congressional Record* of the 51st Congress is replete with examples of legislators voicing the complaints of small businesses in their districts that were being subjected to "unfair" competition from the trusts.

To this day, farmers and small-business owners are among the most effective special interest groups, for there are still large numbers of them in a majority of congressional districts. Needless to say, their interests do not necessarily coincide with the interests of the vast majority of consumers.

Urged on by these interest groups, Sen. John Sherman and his colleagues claimed that combinations of businesses—or trusts—restricted output, and this drove prices up. As legal expert Robert Bork concluded in an exhaustive review of the *Congressional Record* of the 51st Congress:

> Sherman demonstrated more than once that he understood that higher prices were brought about by a restriction of output....Sherman and his colleagues identified the phrase "restraint of commerce" or "restraint of trade" with "restriction of output."

If Sherman's claims were true, a look at the record should show a restriction of output in industries that were allegedly being monopolized by trusts. By contrast, if the tendency to combine into trusts was part of an evolutionary process of competitive markets responding to the rapid technological changes of the time, one might expect an *expansion* of trade or output in these industries.

Being curious about this, I compiled from the *Congressional Record* of the 51st Congress a list of industries that were accused of being monopolized by trusts. The graph on page 36 shows the industries for which data on output from 1880 to 1900 are available. The striking thing about this list is that of the 17 industries, there were *increases* in output not only from 1880 to 1890, the year the Sherman Act was passed, but also to the turn of the century in all but two industries, matches and castor oil. These last two are hardly items that would warrant a national furor, even if they were monopolized.

In addition, output in these industries generally expanded more rapidly than output in other industries during the 10 years leading up to the first trust-busting legislation. For some industries, there are records only of nominal output, while measures of real output are available for others.

In the nine industries for which nominal output is known, output increased on average by 62 percent—almost four times the 16 percent increase in nominal GNP (gross national product) during that period. Several of the industries expanded output by more than 10 times the overall increase in nominal GNP.

Real GNP (adjusted for changes in the price level) increased by approximately 24 percent from 1880 to 1890. Meanwhile, the allegedly monopolized industries for which some measure of real output is available grew on average by 175 percent—seven times faster than all other industries.

Furthermore, these trends continued to the turn of the century. Output expanded in each industry except castor oil, and on average, output in these industries grew at a faster rate than the rest of the economy. Industries for which nominal output data are available expanded by 99 percent compared to a 43 percent increase in nominal GNP from 1890 to 1900, while the other industries increased real output by 76 percent compared to a 46 percent rise in real GNP.

In summary, this evidence undermines the notion that the industries singled out by Senator Sherman and his congressional colleagues were creating a "rising tide of monopoly power," if one judges by Senator Sherman's own measuring rod of monopoly power: output restriction. These industries were expanding much faster than the economy as a whole—some at 10 times the rate.

And predictably, prices in these industries were generally *falling*, not ris-

It turns out that the great beneficiary of competition—the consumer—was not the object of antitrust concern at all.

ing, even when compared to the declining general price level. For example, the average price of steel rails fell from $58 to $32 between 1880 and 1890, or by 53 percent. The price of refined sugar fell from 9 cents per pound in 1880 to 7 cents in 1890 and to 4.5 cents in 1900; the price of lead dropped from $5.04 per pound in 1880 to $4.41 in 1890; and zinc fell from $5.51 per pound to $4.40. Although the general price level also fell by seven percent from 1880 to 1890, it fell proportionately less than all of these items.

Perhaps the most widely attacked trusts were those in the sugar and petroleum industries. But there is evidence that the effect of these combinations or mergers was to *reduce* the prices of sugar and petroleum. In fact, even Congress clearly recognized this!

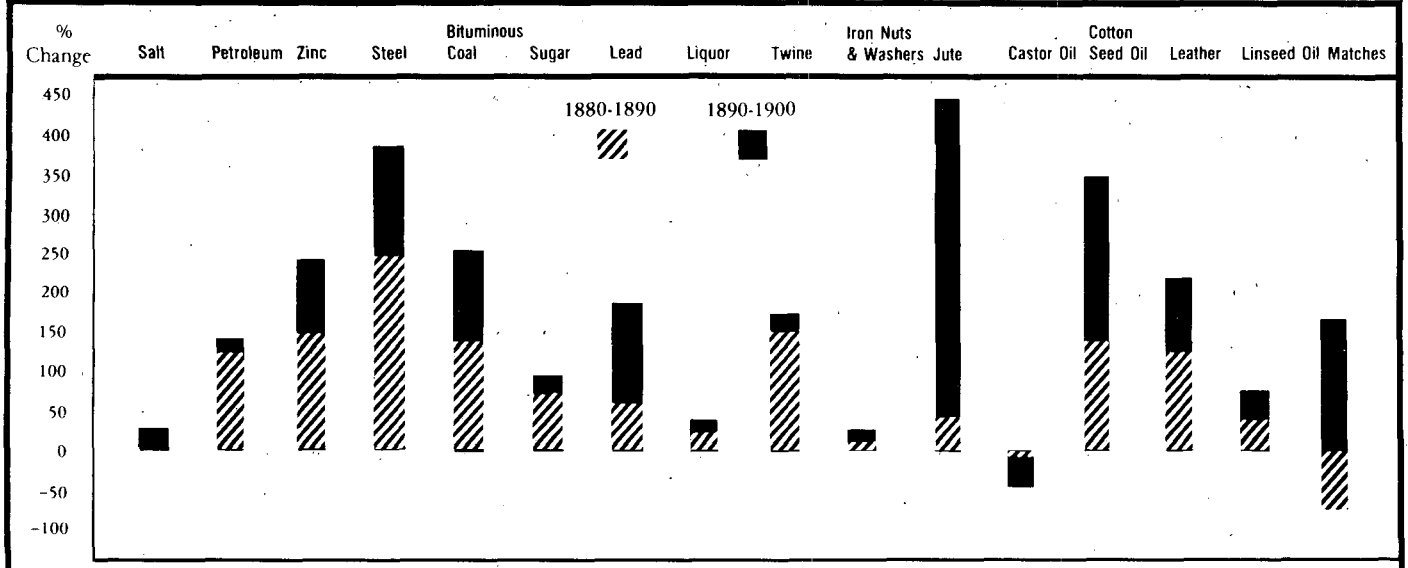
Rep. William Mason admitted during the House debates over the Sherman Act that "trusts have made products cheaper, have reduced prices." The objection lay elsewhere. "If the price of oil for instance, were reduced to one cent a barrel," declared Mason, "it would not right the wrong done to the people of this country by the 'trusts' which have destroyed legitimate competition and driven honest men from legitimate business enterprises." Likewise, Sen. John Edwards, who played a key role in the debate, insisted that the lowering of sugar and oil prices "does not alter the wrong of the principle of any trust."

It turns out that the great beneficiary of competition—the consumer—was not the object of antitrust concern at all. Instead, it was less-efficient, "honest businessmen" who were being priced out of the market. It is surely not insignificant that these and other business owners were in a position to contribute to political campaigns.

Senator Sherman and his colleagues were right in one respect—there certainly was monopoly power in American industry during the late 19th century. It appears, however, that one function of the Sherman Act was to divert public attention from the real *source* of monopoly power—the government itself. Tariffs imposed by Congress were probably the major restraint of trade in the late 19th century, but the Sherman Act made no provision whatsoever for dismantling these.

In a particularly revealing statement, Sherman attacked the trusts during the Senate debates over his bill on the basis that they "subverted the tariff system; they undermined the policy of government to protect...American industries by levying duties on imported goods." It's an odd statement for a reputed "champion of free enterprise." It is perfectly consistent, however, with an alternative picture: that Sherman was a protectionist, not a free-trader. With output expanding and prices falling in the industries attacked by Sherman, monopoly profits previously secured through protective tariffs were being dissipated. This was not to the liking of the protected industries and their legislative allies such as Senator Sherman.

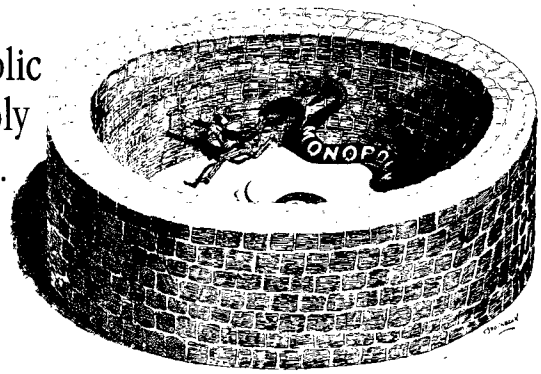
Indeed, Sherman's true colors were in clear view just three months after the act was passed, when, as chairman of the Senate Finance Committee, he sponsored a tariff bill. This was so transparently a piece of special-interest legislation that the *New York Times* dubbed it the "Campaign Contributors' Tariff Bill." It "now goes to the president for his signature, which will speedily be af-



Nineteenth-century politicians claimed that monopolized industries would restrict output to drive up prices. In fact, from 1880 to 1890 (when the Sherman Act was passed) and from 1890 to 1900, the output in 15 out of 17 allegedly monopolized industries actually *increased.*

Sources: US Bureau of the Census: *Statistical Abstract of the United States* (various years) and *Historical Statistics of the United States.*

One function of the Sherman Act was to divert public attention from the real source of monopoly power—the government.



STRENUOUS SAM AND HIS TARIFF WALL.

fixed to it," reported the *Times* on October 1, 1890, "and the favored manufacturers, many of whom...proposed and made the [tariff] rates which affect their products, will begin to enjoy the profits of this legislation."

The *Times* noted that Sherman's speech in support of the bill "should not be overlooked, for it was one of confession." Senator Sherman had withdrawn this speech from the *Congressional Record* for "revision," but not before a *Times* reporter had obtained an unabridged copy of the original. As the reporter wrote:

> We direct attention to those passages relating to combinations of protected manufacturers designed to take full advantage of high tariff duties by exacting from consumers prices fixed by agreement after competition has been suppressed....Mr. Sherman closed his speech with some words of warning and advice to the beneficiaries of the new tariff. He was earnest enough in his manner to indicate that he is not at all confident as to the outcome of the law. The great thing that stood in the way of the success of the bill, he said, was whether or not the manufacturers of this country would permit free competition in the American market. The danger was that the beneficiaries of the bill would combine and cheat the people out of the benefits of the law. They were now given reasonable and ample protection, and if they would resist the temptation attaching to great aggregations of capital to combine and advance prices, they might hope for a season of great prosperity....He did hope, the Senator concluded, that the manufacturers would open the doors to fair competition and give its benefits to the people....He hoped the manufacturers would agree to compete one with another and would refuse to take the high prices that are so easily obtained.

For Senator Sherman to say that a protective tariff would not harm consumers if only manufacturers would not raise prices is contradictory, to put it mildly. Sherman's intention was clearly to isolate American manufacturers from international competition and then, when the protected industries raised prices, to blame it on "dangerous combinations of capital."

Such hypocrisy led to a complete reversal of the editorial position of the *New York Times*. For years the *Times* had been a foremost proponent of antitrust legislation. After observing the behavior of Sherman and his congressional colleagues during the months following the passage of the Sherman Act, the editors concluded:

> That so-called Anti-Trust law was passed to deceive the people and to clear the way for the enactment of this...law relating to the tariff. It was projected in order that the party organs might say to the opponents of tariff extortion and protected combinations, "Behold! we have attacked the Trusts. The Republican party is the enemy of all such rings." And now the author of it can only "hope" that the rings will dissolve of their own accord.

For centuries, monopoly has been associated with governmentally imposed barriers to free trade such as tariffs, import quotas, professional licenses, and monopoly franchises. But all of this is immune from antitrust law. It appears that the Sherman Act was passed to help draw public attention away from the actual process of monopolization in the economy, among the major beneficiaries of which have always been the legislators themselves. By interfering with the competitive process, Congress became perhaps the one interest group to benefit most from the Sherman Act.

Where were economists during all of this? They were not even asked their opinions of the proposed antitrust law, and it is easy to understand why: they were nearly unanimously opposed to it. The historian Sanford D. Gordon has surveyed all articles and books written by economists on the topic of antitrust prior to the Sherman Act. A large majority, he found,

> conceded that the combination movement was to be expected, that high fixed costs made large scale enterprises economical, that competition under these new circumstances frequently resulted in cut-throat competition, that agreements among producers was a natural consequence, and the stability of prices usually brought more benefit than harm to the society. They seemed to reject the idea that competition was declining, or showed no fear of decline.

One of the best younger economists, John Bates Clark, said this about trusts:

> Combinations have their roots in the nature of social industry and are normal in their origin, their development, and their practical working. They are neither to be deprecated by scientists nor suppressed by legislators....A successful attempt to suppress them by law would involve the reversion of industrial systems to a cast-off type, the renewal of abuses from which society has escaped by a step in development.

Economists' opposition to antitrust legislation was so universal that even Richard T. Ely, who founded the American Economic Association and who believed that "the doctrine of laissez-faire is unsafe in politics and unsound in morals," was opposed to it.

So it should really come as no surprise that antitrust law, for the past 90 years, has been anticompetitive in its effects. Contrary to popular mythology, the Sherman Act was never intended to promote competition. Instead, its sole purpose was to protect (some) competitors.

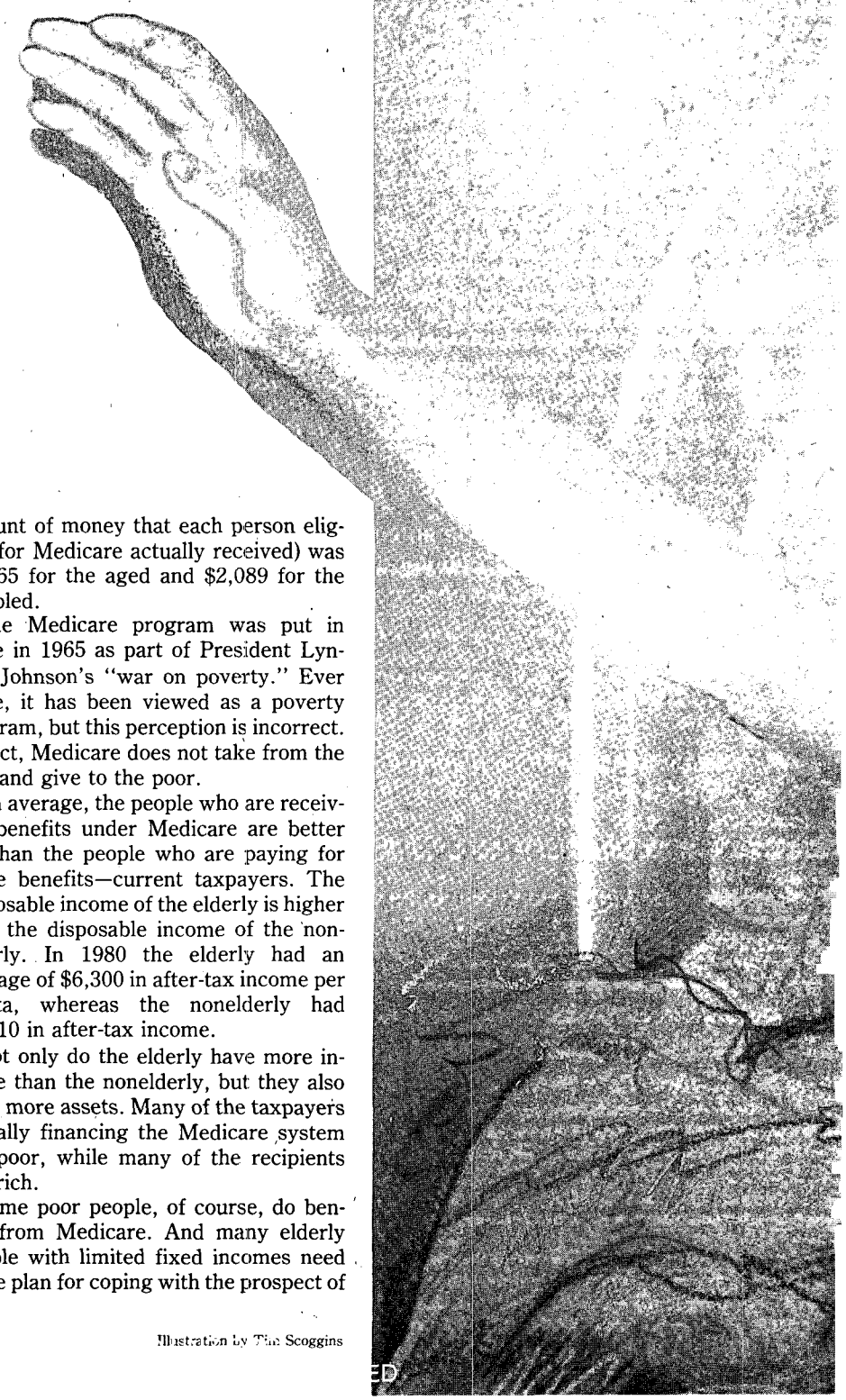
When the aging Senator Sherman, who was about to retire, became involved in the antitrust issue, he had just gone through an exhausting and unsuccessful attempt to secure his party's presidential nomination, and perhaps he saw the antitrust issue as his final claim to political fame. Whatever else may be said of the Sherman Antitrust Act, one thing it did accomplish was to make Sen. John Sherman at least as famous as his elder brother, Gen. William Tecumseh Sherman, of Civil War notoriety. But like slavery, antitrust laws should be abolished. ◻

Thomas DiLorenzo teaches economics at George Mason University. He has written a paper on the origins of antitrust, forthcoming in the International Review of Law and Economics.

Medicare is dying, and if the politicians would just admit it, we could get on with building a fairer alternative.

Is There Life After Medicare?

By John C. Goodman



Now that the second Reagan administration and the new Congress are comfortably ensconced in Washington, they'll probably be reciting the usual rationales for gigantic spending programs. Medical programs are a prime example.

Medicaid is usually rationalized as necessary to help the poor. Veterans' Administration hospitals are said to be necessary for national defense. Vast subsidies for medical research are claimed to be necessary for improving the general welfare.

These familiar goals—helping the poor, strengthening national defense, and improving the general welfare—are often stretched and twisted beyond recognition, but not even *they* can be utilized to defend one of the biggest programs of all. That is Medicare, the taxpayer-funded program that pays most of the medical bills of more than 30 million people in America.

Medicare and the benefits it provides constitute a health-insurance policy for people 65 years old and over, for the disabled, and for those with kidney failure. For Medicare recipients, the benefits are sizable. In 1982, the average reimbursement per enrollee (that is, the average amount of money that each person eligible for Medicare actually received) was $1,565 for the aged and $2,089 for the disabled.

The Medicare program was put in place in 1965 as part of President Lyndon Johnson's "war on poverty." Ever since, it has been viewed as a poverty program, but this perception is incorrect. In fact, Medicare does not take from the rich and give to the poor.

On average, the people who are receiving benefits under Medicare are better off than the people who are paying for those benefits—current taxpayers. The disposable income of the elderly is higher than the disposable income of the nonelderly. In 1980 the elderly had an average of $6,300 in after-tax income per capita, whereas the nonelderly had $5,910 in after-tax income.

Not only do the elderly have more income than the nonelderly, but they also have more assets. Many of the taxpayers actually financing the Medicare system are poor, while many of the recipients are rich.

Some poor people, of course, do benefit from Medicare. And many elderly people with limited fixed incomes need some plan for coping with the prospect of

Illustration by Tim Scoggins

high medical bills. But there is an alternative to Medicare—one that would help keep health costs down, provide security and free choice, and relieve the taxpayers' burden for health care. To appreciate the significance of this plan, it is first necessary to understand just how inefficient and inequitable the existing Medicare system is.

That an alternative to Medicare is needed is readily apparent both from its dismal financial picture and from the highly skewed distribution of its benefits.

What does Medicare currently cost American taxpayers? According to the Department of Health and Human Services, the grand total for fiscal year 1984 is expected to be $64.2 billion. Moreover, that figure is expected to climb to $106.6 billion (in constant dollars) by fiscal year 1988—an increase in four years of 66 percent.

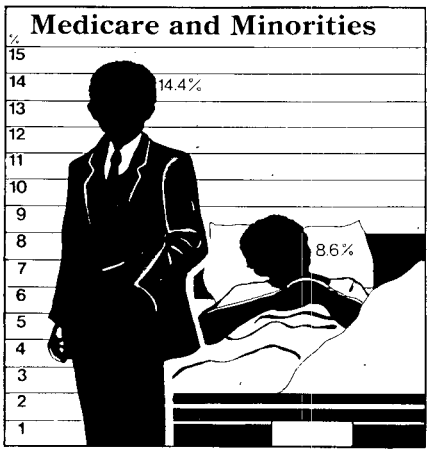
The program's future prospects are even more disquieting, since Medicare is not paying its own way. The 1984 annual report of Medicare's Hospital Insurance Trust Fund confessed that if the current system continues as presently organized, Medicare will be without a nickel to its name by 1991. That's just six years away.

Of course, there are ways to keep the system afloat—such as more payroll taxes. A few years ago, A. Haeworth Robertson, a former chief actuary of the Social Security Administration, which administers the Medicare program, projected what payroll taxes might be 70 years from now under various sets of assumptions. Under the most pessimistic assumption, Robertson calculated that payroll taxes for Social Security and Medicare together might have to be between 40 and 50 percent of an individual's taxable income to finance that package of benefits.

But these projections by no means represent the worst case, because Robertson didn't take into consideration the likelihood that life expectancy might be dramatically increased. And if that happens, it would spell disaster for the Social Security and Medicare programs even with payroll taxes at the 50 percent level. Clearly we are putting our children and grandchildren at great risk.

Medicare's predicament isn't as bad as Social Security's—it's worse. Medicare has a special financial problem that does not affect Social Security. Social Security money goes in predetermined amounts directly to the pensioner, who decides how that money will be spent. Under Medicare, by contrast, the money goes to the providers—physicians, hospitals, and nursing homes. And these providers have little incentive to contain costs because a third party—Medicare—is paying the bills. It is a situation that breeds enormous inefficiency and waste.

It also breeds enormous injustice. The people who are receiving Medicare pay



Though 14.4 percent of all taxpayers are non-white, only 8.6 percent of Medicare beneficiaries are non-white.

far less than a comparable private plan would cost. For example, take a man earning the average income for his age group and who is retired in 1983 at age 65. Within two years, the benefits he draws from Medicare will have exceeded the $2,640 in Medicare taxes he paid into the system during his entire working life. Even under the conservative assumption that Medicare spending per beneficiary will not rise, he can expect to receive about $25,615 more in benefits than he ever paid in taxes. And if he has a dependent spouse, the benefits will approach $59,720. In essence, the American public is writing a $59,720 check to this worker and his spouse upon his retirement.

Even if there were no increase in Medicare spending per beneficiary in the future, a 65-year-old man retiring in 1983 could expect to receive 10 times more in Medicare benefits than he paid in taxes. And a 70-year-old man could expect to receive 21 times more in benefits than he paid in taxes. If these beneficiaries have a dependent spouse, the expected benefits relative to taxes will more than double.

What are the reasons for doing this? To benefit minorities or the young? Hardly. In fact, Medicare discriminates against both of these groups in significant ways.

As for minorities, the newest life-expectancy statistics from the National Center for Health Statistics indicate that a black male born today has a life expectancy of 64.8 years (compared to 71 years for white males). Although he will pay taxes into the system throughout his working life, he can expect to die two months before he becomes eligible for benefits. If the retirement age is raised to 67 (as recommended by the Advisory Council on Social Security, which is looking at ways to reform Medicare), the black man can expect to die approximately two years before he becomes eligible for any benefits that are based on his age.

He would not be alone. A study done last year by the National Center for Policy Analysis (NCPA) showed that the recently legislated increase in the Social Security retirement age from 65 to 67 by 1990 will be devastating for minorities generally. The proposed changes in Medicare are even worse. It has been recommended not only to raise the age of eligibility from 65 to 67 but to index it as well. In effect, this proposal would mean that whenever there is a general improvement in life expectancy, the age to qualify for benefits would go up.

Even with the initial increase from 65 to 67, a 20-year-old black man would lose 100 percent of his expected future benefits from Medicare. His white counterpart would lose only 25 percent. Meanwhile, a 20-year-old black woman would lose 19 percent of her expected benefits, while a white female of the same age would lose only 14 percent.

Medicare's discrimination against minorities is reflected in another way. About twice as many minority taxpayers are paying into the system as are drawing benefits from it: nonwhite persons account for 14.4 percent of the taxpaying population but only 8.6 percent of Medicare beneficiaries.

Medicare is also unfair to the young. There's no question that it has been a bonanza for those currently covered by the program, mainly individuals 65 and older. But the enormous benefits received by today's beneficiaries are made possible by the taxes paid into the system by the working population. Young workers who are paying these taxes will never receive anything like the deal the elderly are receiving today. In fact, most young workers entering the labor force right now will pay considerably more into Medicare than they can ever expect to receive in return.

The NCPA study calculated the present value of Medicare for workers at different age levels under the conservative assumption that Medicare spending per beneficiary will grow no faster than the rate of growth of nominal wages. A 20-year-old white man can expect to pay about $8,500 more in taxes than he will receive in benefits, and a black man the same age can expect to pay about $14,000 more in taxes than he will

receive in benefits. Moreover, almost anything that Congress seems likely to do to relieve the financial crisis of Medicare—raise the payroll tax, raise the eligibility age, or raise deductibles or coinsurance rates—will lower the expected benefits to young workers and reduce the return on their Medicare "investment" even below what is projected now.

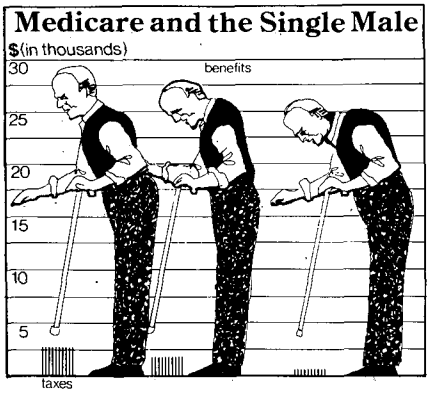
Under current law, the combined payroll tax on employers and employees is scheduled to rise from the current 2.6 percent to 5.08 percent by 1995. If, in order to reduce the Medicare deficit, Congress also raises the eligibility age to 67, the penalty imposed on young workers will be substantial. With a 5.08 percent Medicare payroll tax and an eligibility age of 67, a 20-year-old white man could expect to pay about $33,171 more in taxes than he would receive in benefits. Similarly, a 20-year-old white working woman could expect to pay about $6,685 more in taxes than she would receive in benefits.

Finally, it's important to note that in addition to Medicare discriminating against the young and minorities, the criteria for eligibility in Medicare are highly arbitrary. The basic requirement is to reach 65 years of age, at which time almost everybody can qualify to get benefits. They don't have to be poor. There are 254,000 millionaires in the United States who are either covered by Medicare or who could be covered if they chose. They don't even have to be retired.

Thus, David Rockefeller, a 69-year-old who works for Chase Manhattan Bank, is eligible for Medicare, financed partly by the taxes on 39-year-old cleaning ladies and cab drivers in Harlem. Rockefeller's local Medicare bureaucrats would not inquire into his estimated net worth of more than $1 billion. It wouldn't affect his eligibility. Indeed, he doesn't even have to be retired to qualify for Medicare. True, he can't get Social Security until he retires from his banking empire, but he *can* get Medicare benefits.

The best deal of all is had by some people who get Medicare without ever having paid anything into the system. There are people over 83 who didn't pay a dime into Medicare, yet they are covered. People retiring today without having paid anything into Social Security can get covered simply by paying special premiums, and for most of them that turns out to be a splendid deal.

In sum, Medicare is a system that takes billions of dollars from the working population and hands it over to people who, by and large, are not working. It gives billions of dollars in medical benefits to people who did not earn them. It takes taxes from the working poor to pay the medical bills of people who are generally better off. It distributes costs and benefits in a highly arbitrary way. It is costly and is going to get more costly. The time has come for as much reform as is politically possible.



For a 65-year-old single male with average income who retired in 1983, Medicare benefits would be 10 times greater than "contributions"; for a 70-year-old, 21 times; and for a 75-year-old, 53 times.

Unfortunately, the Advisory Council on Social Security, which is studying Medicare, is taking the same approach that the National Commission on Social Security Reform (the Greenspan Commission) took toward Social Security in 1983. Their assumption is that the system should be salvaged. They are wrong. The system cannot and should not remain intact in the next century.

There is a way, however, to build an essentially private alternative to Medicare. The proposal, developed by Gerald Musgrave, Peter Ferrara, Richard Rahn, and myself, is based on a concept developed by healthcare economist Jesse Hixson. It is not a purely free-market solution. In the present political climate, it is unrealistic to hope for that. But the proposal would be a vast improvement over the status quo.

Under the plan, individuals would be allowed to make annual contributions to qualified individual retirement accounts called Health Bank IRAs. These would be similar to existing IRAs, except that their funds could be spent only for medical expenses, and financial institutions offering Health Bank IRAs would assume a fiduciary responsibility for the accounts, like a bank managing a trust.

After a 30-year period, sufficient funds could accumulate in these accounts to allow individuals to pay for their own medical expenses or to purchase private health insurance for their retirement years. These individuals would opt out of the basic Medicare program, and they would rely on Medicare only in case of very large, catastrophic medical expenses. Workers now closer to retirement, or workers who chose not to contribute to a Health Bank IRA every year for 30 years, would be entitled to a prorated portion of Medicare benefits.

The choice to opt out of Medicare would be voluntary. However, individuals who chose the IRA option would get tax credits for their Health Bank IRA contributions—that is, for every dollar a person put in a Health Bank IRA, his or her income tax would be reduced by a dollar, up to a designated limit. (The average worker today pays about $460 a year into Medicare, and the NCPA estimates that a tax credit of $500 per person annually would be sufficient to encourage the vast majority of the working population to choose the private IRA alternative to Medicare.)

For poor Americans, a special provision would be made. Individuals with no earnings would be granted an income tax "refund" equal to the amount of the allowed tax credit. The refund would be placed in their Health Bank IRAs. This would give people living in poverty a source of funds with which to purchase their own medical care during retirement.

Money deposited in a Health Bank IRA would be the private property of the individual who created the account. Moreover, this money would be part of the individual's estate and could be passed on to his heirs. As a result, if individuals spent their Health Bank IRA money, they would be spending their own money, not someone else's.

If given a tax incentive to do so, people would very likely choose this plan. Over time, the total amount of Medicare spending would begin to fall, and the payroll tax could be progressively lowered. And although the federal deficit would increase in the short term, the supply of credit (through IRAs) would increase.

Most of all, the plan provides a practical means of realizing an important social value, that individuals can and should be responsible for providing for their own health care during retirement. Adherence to this principle is the best way to provide future generations of elderly citizens with the financial security they need. It is the best way to ensure that elderly citizens retain their dignity and self-esteem. And it accomplishes these objectives in a manner generally consistent with the spirit of a free society. ◻

John C. Goodman is a professor of economics at the University of Dallas and president of the National Center for Policy Analysis, a Dallas-based think tank.

Freedom for the individual is often thought to mean chaos for society, but exciting new research shows how and why self-interest is served by cooperation.

Could HOBBES Trounce HAYEK?

By Joseph P. Martino

What is the nature of human society when people are free to do as they choose? Seventeenth-century philosopher Thomas Hobbes had one answer. In the *Leviathan*, he wrote: "During the time men live without a common power to keep them in awe, they are in that condition which is called war, and such a war as is of every man against every man." Moreover, this condition of a war of all against all was one of spiritual and material poverty. He asserted it had: "No arts, no letters, no society, and, which is worst of all, continual fear and danger of violent death, and the life of man solitary, poor, nasty, brutish, and short."

For Hobbes, then, it was necessary that someone take upon himself the task of bringing order out of chaos by enforcing his rule over the rest. There might be many ways in which such a "law-giver" could legitimate his rule, but fundamentally some such rule was needed.

Contemporary economist and political theorist Friedrich A. Hayek has a more libertarian answer to the question of what kind of society people form under conditions of freedom. In his trilogy *Law, Legislation, and Liberty*, written in the 1970s, he said people form a "spontaneous order," which is the product of human action but not the product of human design. He distinguished between "made" orders, which are constructed to fulfill specific purposes, such as the order of an army, and the "spontaneous" order that he claims arises, without planning, from the free interaction of individuals.

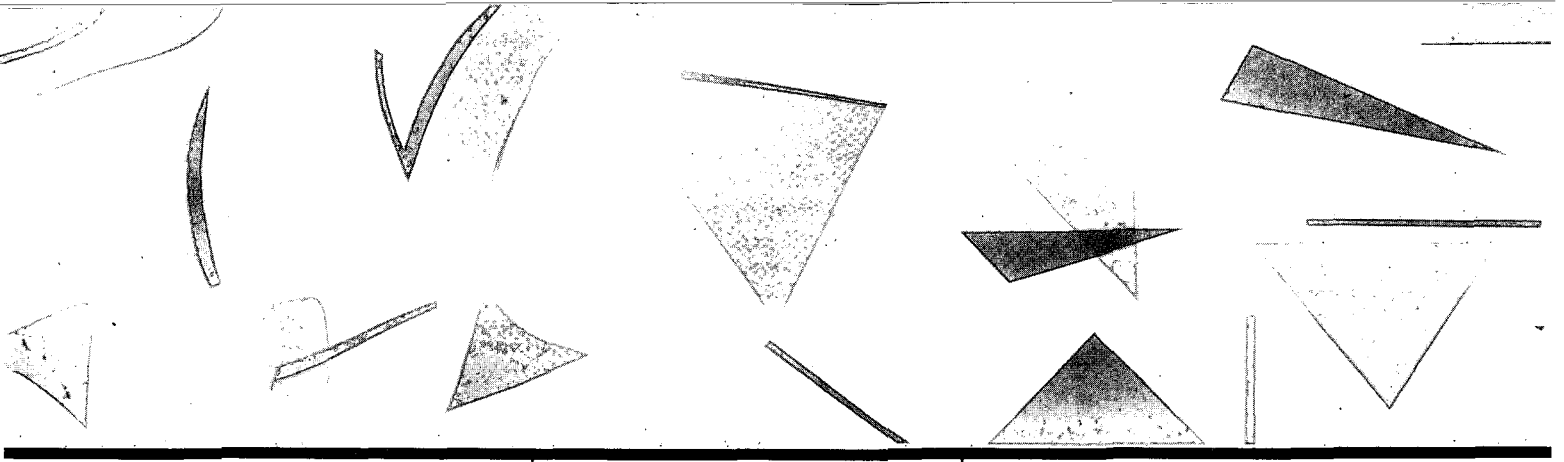
Both writers make plausible cases for their respective positions. I am certainly more sympathetic to Hayek's views than to Hobbes's. Nevertheless, we still must ask: What does history actually tell us about the emergence of society, order, and the state? Contemporary anthropologist Elman R. Service, in *Origins of the State and Civilization*, asserts that in all cases known to archaeology or anthropology, states arose in response to external threats, not in response to civil strife. That is, they arose to prosecute a war against an external enemy, not to halt an internal war of all against all. Furthermore, he points out that if a ruler does intervene in a domestic dispute, the ruler will encounter the enmity of at least one side, and possibly both sides. He makes the point that "new or simple governments do not willingly or lightly undertake tasks that risk their power or authority." Hence governments established to prosecute a war are not going to move very aggressively to extend their power domestically.

What kind of external enemies might a government be established to defend against? Initially, governments were established to protect settled communities against nomadic raiders. Ultimately, as governments grew in scope, empires emerged and these imperial governments fought against rival empires.

In short, according to Service, before governments were ever formed, some kind of order had already been established, including specialization of functions such as priestly roles and adjudication of disputes by "wise men." Contrary to the notions of Hobbes, people without governments have not necessarily engaged in wars of all against all.

A specific illustration of this is given

Illustration by Bruce Jones



by Colin Renfrew in the November 1983 *Scientific American*. Renfrew, a British archaeologist, describes his excavation of a prehistoric tomb in the Orkney Islands off the coast of Scotland. This was an earth mound covering well-constructed sandstone burial chambers. The tomb was in use from about 3200 B.C. (older than the Pyramids of Egypt) to about 2650 B.C. The distribution of ages and sexes of the skeletons indicates it was an "equal access" burial site, open to the entire community. The absence of elaborate grave goods indicates there was little social stratification in the society that built it. In short, here is an example of social cooperation, persisting over more than half a millenium, without any central government to direct it.

For Hobbes, it was necessary that someone take upon himself the task of bringing order out of chaos by enforcing his rule over the rest.

But how can such an order arise? Hayek argues that we need to act on expectations about the actions of others. In order to plan, we must have fairly accurate notions of what others will do in response to each of the alternative actions we are considering. He goes on to say that a society can exist only if rules have evolved that make society possible. In particular, the kinds of rules that would evolve among people acting freely are those rules conducive to maintaining order. Adherence to other kinds of rules would mean the society would not survive, and the ineffective rules themselves would therefore also vanish.

Hayek's thesis is plausible, but it doesn't tell us exactly what kinds of rules will evolve, nor the conditions under which they will evolve. This is why the recent book *The Evolution of Cooperation*, by Robert Axelrod, is so important. Axelrod presents the results of his research, which reinforce Hayek's arguments about spontaneous order. Axelrod shows what kinds of rules might evolve under various conditions. In particular, he shows how a spontaneous order can arise under conditions of freedom.

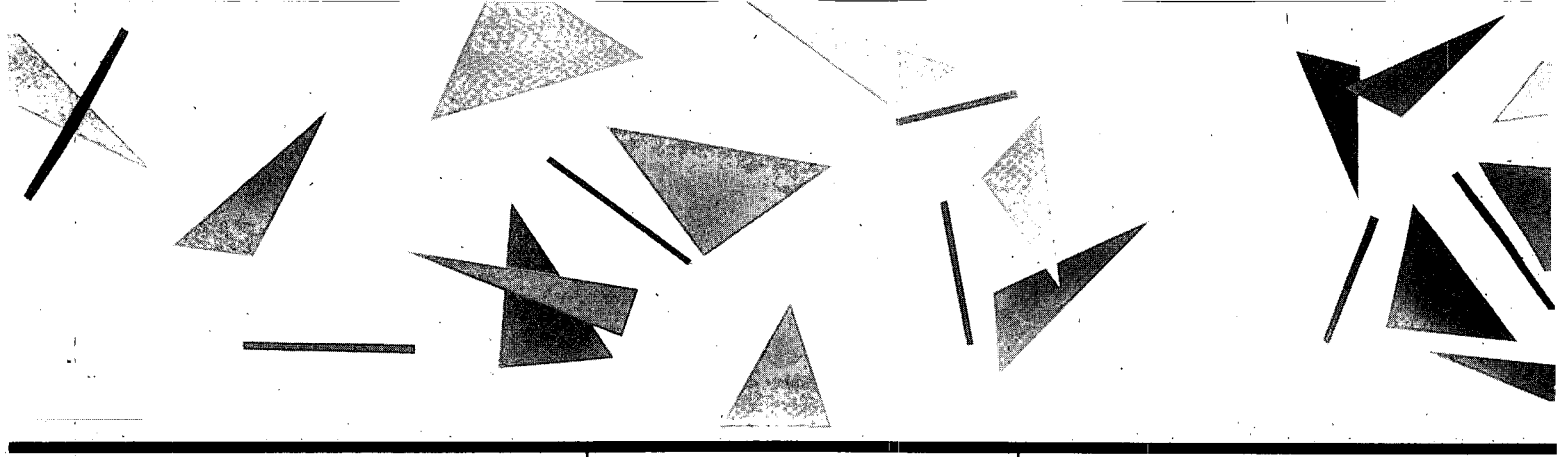
The purpose of Axelrod's research was specifically to investigate the question, "Under what conditions will cooperation emerge among egoists without central authority?" His results are based on an "investigation of individuals who pursue their own self-interest without the aid of a central authority to force them to cooperate with each other." By assuming self-interest, he can examine the most difficult case, in which people are not concerned with the welfare of their partners in cooperation or with the welfare of a group of which they are a part.

Before looking at Axelrod's results, a slight digression is necessary. Students of conflict behavior have long studied a "game" called "the Prisoner's Dilemma." The name comes from a fable in which the police have captured two criminal conspirators. The police place them in separate cells before questioning them. The prosecutor tells both prisoners that he has enough evidence to convict each of them on a minor charge, which will get them a one-year sentence. If either one will give evidence against the other, the one doing so will be set free, while the other will get a 20-year sentence. If both give evidence against the other, however, both will receive five-year sentences.

The prisoners face a serious dilemma. If they cooperate and keep their mouths shut, they both get a light, one-year sentence that won't inconvenience them seriously. If one defects while the other cooperates, however, the defector goes free—an even better payoff than from mutual cooperation—while the cooperator gets 20 years, a serious penalty. The horns of the dilemma arise from the fact that regardless of what the other prisoner does, each prisoner is better off to defect. Thus the logical thing for both to do is defect, getting five years. Both thus escape the 20-year sentence but are much worse off than if they both had cooperated.

Now let's change the situation somewhat. Suppose we have two "players" who will play a series of games of the Prisoner's Dilemma, one after the other. The situation is no longer a one-shot affair, in which the logical thing to do is defect. In an "Iterated Prisoner's Dilemma," each player has the possibility of cooperating now in the hope of obtaining cooperation from the other in the future. If each could build up trust in the other, both could do quite well through cooperation. But this possibility of cooperation exists only if each expects to play the other again.

Iterated Prisoner's Dilemma (IPD for short) is really a thumbnail description of a situation common in society. Generally, we have repeated occasions to interact with others. In such circumstances, pursuit of narrow self-interest by each party leads to poor outcomes for all. In fact, the Iterated Prisoner's Dilemma is such a good case for analysis that, as Axelrod suggests, it has become as popular a subject of study in social psychology as the *E. coli* bacteria found in human intestines have become for biologists. True, IPD oversimplifies some things. It leaves out the possibility of communicating; it omits the possible intervention of third parties; and it ignores problems that might arise in determining whether the other party is actually cooperating or defecting (as, for instance, in an arms control agreement in which inspection is not permitted). Even so, it can provide some very helpful insights into the problems of cooperation and conflict in society.



When students of conflict discuss the Iterated Prisoner's Dilemma, they speak of "strategies." Ordinarily the word "strategy" implies something clever. As used by game theorists, however, the meaning is more prosaic. It simply means a prescription or recipe for what to do under all possible conditions. One possible strategy for playing IPD is called "Tit for Tat," or T4T. This strategy requires that one simply echo what the other player did last time. If he cooperated, you cooperate this time. If he defected last time, you defect this time. In particular, a player using T4T is never the first to defect. Other strategies include always defecting (ALL D) and always cooperating (ALL C). ALL C isn't a particularly clever strategy, since it invites the other player to exploit its user. RANDOM, simply flipping a coin, isn't a very clever strategy either, since it doesn't encourage the other player to cooperate. Nevertheless, these are all examples of strategies, because they give the player a complete prescription of what to do in every circumstance.

Under conditions of freedom, Hayek said, people form a "spontaneous order," which is the product of human action but not the product of human design.

What Axelrod did was conduct a round-robin tournament in which different strategies could compete against each other in playing IPD. He asked game theorists to submit computer programs that would use whatever strategy the submitter thought would be most effective. These strategies were then "allowed" to play against each other on a computer, with each strategy being paired against every other strategy about 200 times. Axelrod specified numerical payoffs to each strategy depending upon what it did (cooperate or defect) and what its opponent did. Each strategy received a score equal to its cumulative "winnings" in all plays against all other strategies. The results of the tournament were published in professional journals, and a wider range of people were invited to submit programs (which could include programs from the first set), for a second tournament.

The objective of the tournament was to score as well as possible over a series of interactions. Doing better than the "opponent/partner" in a given interaction was much less important than cumulatively doing better than all the other strategies in the tournament. Since each pair of strategies would meet many times, the future was important.

The surprising result was that the "Tit for Tat" (T4T) strategy won hands down. It ranked first out of 63 different strategies in the second tournament (it also won the first tournament, against a smaller field). This is particularly surprising because T4T never tries to do better than the other player. Instead, it did so well overall because it was successful in getting the other players to cooperate.

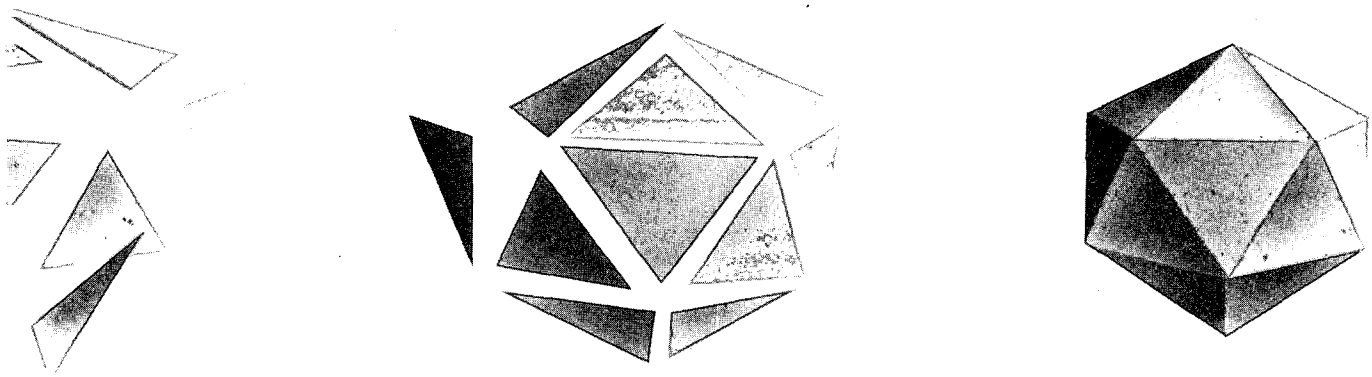
The tournament also turned up another surprising result. Axelrod characterizes as "nice" the property of never defecting first, but instead defecting only in retaliation for the other player's defection. Of the strategies scoring in the top 15, only one wasn't "nice," and it came in eighth. By contrast, of the bottom 15 strategies, only one was "nice"; the rest tried to exploit the others by being "clever" about defecting first. The high-ranking strategies turned out to have four characteristics. First, they were nice—they cooperated until the other player defected. Second, they retaliated when the other player defected: they weren't "softies." Third, they forgave the other player after retaliating, and returned to cooperating. Fourth, their behavior pattern was clear, so the other player could adapt to it (RANDOM, in particular, lacks this last characteristic).

Next Axelrod tried an extension of the simple tournament. He tried simulating an ecological situation, in which each strategy "reproduced" in accordance with its degree of success. The purpose was to determine what strategies would come to dominate the "environment." Again, T4T won, in the sense that after several generations, the other strategies died out. The strategies that weren't "nice" turned out to destroy the very environment they needed to survive.

Something even more interesting showed up in this ecological simulation. Some of the strategies had been designed to be "clever." They attempted to exploit other strategies by setting them up for an unprovoked defection. These strategies turned out to be too clever for their own good. They couldn't exploit T4T, since it retaliated immediately, then forgave. As the "prey" of these "predator" strategies died out, the predators died out too.

Next Axelrod looked at the question of what happens to a society once it becomes "all T4T." Is it stable, or can another strategy successfully invade it, doing better than it does and "out-reproducing" it? The answer turns out to be that T4T is stable against invasion. A more successful strategy, in order to get a higher cumulative score than T4T, must defect from time to time. When it does defect without being provoked, it will then get the maximum payoff ("going free," in the original Prisoners' Dilemma fable), instead of the cooperative payoff, on that turn. But on the next turn, T4T will retaliate and the invader will get (at best) the payoff for mutual defection. So long as there is enough concern for the future, then, T4T is stable against invasion. No alternative strategy can exploit the situation by being "clever" about its defections.

This need for concern about the future explains why nomads would rather raid



than trade. As they move about from one place to another, they have little incentive to try to cooperate with the people in the settled communities they encounter. Even if they did cooperate, it would be a long time before they came back, and they might not deal with the same people again. Likewise, the settled communities have little incentive to cooperate with the nomads, who won't be back for a long time. Thus if for any reason people have little concern about the next interaction with the same "partner," both have an incentive to defect rather than cooperate. T4T is stable only when the future is important enough to outweigh a one-shot gain.

Unfortunately, ALL D is also stable against invasion. That is, if everyone in a community is following an ALL D strategy (in effect, Hobbes's war of "every man against every man"), no other strategy can displace it by "doing better." Suppose a newcomer to such a community tries cooperating. On that turn, he will be victimized, and his partner will do even better than he would have done with mutual cooperation. If the newcomer continues to cooperate, he will continue to be victimized. His poor score means he won't "reproduce" himself as well as his exploiters do. If he retaliates, he in effect adopts ALL D himself.

If people never meet again, or if they don't put much value on the future, ALL D is the only logical strategy. Since ALL D is just as stable against invasion as T4T, how can cooperation ever get started in a primitive society, where people don't put much value on their future dealings with each other? How can the spontaneous order that Hayek says should arise, and which Service says actually did arise, come about?

Axelrod provides an answer to this question, too. The "cooperators" must exist in clusters. That is, an ALL D society cannot be invaded by *individuals* who practice T4T, but it can be invaded successfully by a *cluster* of individuals who practice T4T. If the people in the cluster have most of their dealings with each other, rather than with the rest of the population, they will do well enough through cooperation to survive being victimized in their few interactions outside the cluster. Moreover, T4T can thrive and grow in an ALL D population if the number practicing it is large enough, even though they have most of their dealings with ALL D players.

Hayek's "spontaneous order" is not something accidental or requiring self-sacrifice, but something that can arise under very likely conditions.

With the payoffs Axelrod used in his particular tournament, he found that 5 percent of the population practicing T4T was sufficient to invade and eventually take over an ALL D population (this number would be different for a different set of numerical payoffs). Even though the cooperators get victimized in most of their dealings, they will do better over the long run than will those who never cooperate but who are always victimizers and almost always victims. Thus if cooperation gets started in a cluster, eventually the cluster becomes large enough that its members no longer need to "stick together." Once that happens, the "nice" strategy can successfully invade even a Hobbesian society.

This result about clustering shows why family and clan are so important in primitive societies. They are natural clusters, within which people practice reciprocity. Even though clans may be at war with one another, within the clan an individual is assured of cooperation (and of eviction from the clan into the Hobbesian outer world if he betrays his clan).

Axelrod concludes that he has done what he set out to do. He has demonstrated that "mutual cooperation can emerge in a world of egoists without central control by starting with a cluster of individuals who rely on reciprocity." This is a very strong conclusion. It means that the growth of spontaneous order does not depend upon foresight, upon rationality, upon the ability to communicate, or upon altruism. The individuals involved need not even trust each other. What is needed is enough concern for the future that the payoff from a long series of mutually cooperative interactions outweighs a one-shot gain in the present. Once that exists, the potential for spontaneous order arises. After that, even a small cluster of cooperators can prosper because they have declared a truce, at least among themselves, in Hobbes's war of all against all.

For anyone who values individualism and limited government, this is a very important and fundamental result. It shows, not that Hobbes was universally wrong, but that he was not universally correct. It shows that Hayek's spontaneous order is not something accidental or requiring self-sacrifice, but instead something that can arise under a very plausible and likely set of conditions.

Axelrod's interesting work also shows the kinds of rules that are needed to maintain a libertarian society. A spontaneous order will grow and prosper in a society in which people can expect to interact with one another throughout an indefinite future, in which they value the cumulative total of those future interactions more than they value a one-shot gain in the present, and in which deviations from cooperation are punished promptly, then forgiven. ◧

Joseph Martino is a technology forecaster at the Research Institute of the University of Dayton.

Spare Tires Cause Flats!

BY CLAYTON CRAMER

You and four friends are about to go to the beach. You open the trunk of your car to throw in beach chairs, soft drinks, and towels. Suddenly, your friends back off in horror. There, in your trunk, is a spare tire and a jack!

Your first friend exclaims in amazement, "It really doesn't matter if you have a spare. If we get a flat, we'll have a blowout, fly off the road, and die. So why bother to have a spare?"

Your second friend stalks off, shouting, "By being prepared with a spare, you must support the *concept* of flats."

Your third friend gently admonishes, "People prepared to survive a flat have no incentive to make the roads safer for the rest of us. Is that fair?"

Your fourth friend glares at you and demands, "Why did you waste money on a jack and a spare tire? You could have bought food for our beach party."

Does this series of reactions sound ridiculous? Of course. But they mirror arguments that pop up all the time in the current wave of hostility to civil-defense measures, both public and private, to protect against nuclear war.

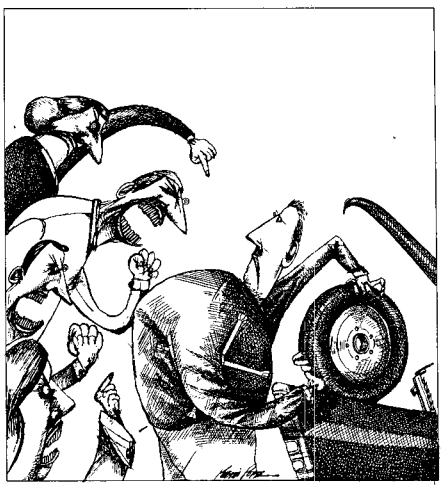
Since 1981, most activists opposing nuclear weapons have taken positions against any preparations to save lives in the event of nuclear war. These positions generally fall into one of four categories: (1) fatalism; (2) preparation for bad things makes them happen; (3) prepared people don't care if disaster comes; (4) preparedness is a waste of money. These are the objections that are clearly absurd when applied to cars and flat tires. Examination shows that they aren't any more relevant to nuclear weapons and nuclear war.

Consider the first position. The critic of civil defense laments that if World War III starts, most of us will be destroyed by the nuclear blasts.

This view is widespread but false. In fact, a full-scale nuclear war would leave tens of millions of people alive in America. It is a major misconception, dispelled by perusal of Soviet doctrine, that cities would be the primary targets in such a war. But even in major cities hit by nuclear bombs, there would be a great many people alive in fringe areas. Survivors would, in our present state of unpreparedness, die not of radiation but of starvation, thirst, disease, and most of all ignorance.

The second kind of objection to civil defense is perhaps the most perplexing. The person who would prepare to survive nuclear war is said "to approve of the *concept* of nuclear war." This is said with the most earnest of expressions, and the strongest possible emphasis on that word *concept.*

For people who think this line of argument makes sense, life should be very simple. They no longer need seat belts (because seat belts mean you approve of



the *concept* of traffic accidents); there's no need to vaccinate their children against polio (because vaccination means you approve of the *concept* of polio); and they certainly don't need medical insurance (having medical insurance means you approve of the *concept* of horrendous medical bills).

According to a more sophisticated form of this argument, occasionally advanced by "establishment" politicians, the Soviet Union might believe that US civil-defense efforts signal a willingness to fight a nuclear war. (After all, that is what the US government frequently claims is indicated by massive *Soviet* civil-defense efforts.)

But the opposite conclusion can be drawn, as well. If the Soviet Union thinks the United States might survive a nuclear war with much of its population and productive capacity intact, the temptation to use nuclear weapons in a first strike is *lessened.* (Likewise, Soviet civil-defense efforts could deter the US government from a first strike.)

The third objection to civil defense involves the claim that survivalists aren't interested in working to avoid World War III, because, having prepared for such an event, they don't think they'll get hurt in a nuclear war.

Yet just the opposite is true. The more one studies the mechanics of surviving nuclear war, the more awesome nuclear war becomes. I believe I have about a 25 percent chance of surviving a major nuclear war, considering the preparations I have made for it, where I live, and the nuclear-war scenarios I can envision. I have never met a survivalist who was so completely confident he would survive such an event that he no longer cared about whether or not it occurred.

Finally, there are the cost objections. Nuclear-war civil defense, usually assumed to be the province of government, is said to be a waste of taxpayers' money.

It *is* hard to believe that the same government that runs the post office, buys military equipment, and operates a welfare system that benefits its workers more than it benefits the poor could possibly do an efficient job of providing civil defense. But the cost objection would be more impressive if its proponents were trying to reduce government spending rather than to redirect the money into their pet government boondoggles. It would also be more impressive if its proponents were less hostile to *private* civil-defense efforts.

I can see how knowledgeable, well-meaning people can support a nuclear freeze; I voted for the California nuclear-freeze initiative in 1982. I can also see how well-meaning people could support unilateral nuclear disarmament, although they would have to be ignorant of history. But I *cannot* understand why groups that oppose nuclear war and the countless deaths that would result are opposed to efforts that *could* save millions of lives, should nuclear war occur. And I'd bet that they carry spare tires and jacks in their cars.

Clayton Cramer is a software engineer. He lives with his wife and daughter in Southern California, and reports that he has never voted for Ronald Reagan.

Illustration by Kevin Pope

How to Win the Paper War

BY TIMOTHY CONDON

How can you make your deductions *stick*, especially in the difficult areas the IRS likes to argue about, such as overnight travel, business entertainment, and deductible mileage driven in your personal car? The answer is recordkeeping, which is, as I once characterized it in a tax guide I was writing, "a charm to ward off evil."

The point is this: if you can solidly document all the deductible expenses you incur, then there's not a damn thing they can do about it. Of course, who among us is the perfect "number counter"? I mean, if the system and the people who run it had their way, we'd go through life with little note pads around our necks, diligently noting every expenditure made. Then, at the end of the year, that amount could be allotted to us for expenses, and the rest could be kept by the state. But I digress.

The people who propose the tax laws—often the Treasury Department and its functionaries, including the IRS—know that most people are unwilling or unable to put out the energy and attention required for accurate daily records. Most of us are too busy working and living our lives to pay constant attention to the latest tax directives. That's why the notion of "reasonable estimates" crept into the tax law over the years, even receiving Supreme Court endorsement.

But the IRS doesn't like that, of course, and when the 1984 "tax reform" bill was passed, special attention was paid to a new type of tax-raising ploy. The new law demands that everyone have detailed "adequate contemporaneous records" in order to claim any deduction in certain areas: travel expenses, including food and lodging; business entertainment expenses; business gifts; and "listed property" expenditures (currently including automobiles and other transportation equipment, entertainment or recreation materials, and computers). The "listed property" provision is *most* troubling: the law provides that the IRS can, "by regulation," put anything it wants to on the "list."

In other words, the number counters won a victory. If you don't keep those detailed records, you can't get an investment credit and you can't take either depreciation or the expense itself, whichever the case may be.

What precisely is required in such records? They have to show (1) the time and place of the expense or use of "listed" property (and "contemporaneous records," folks, means *each use*), (2) the business relationship to yourself of the person using the property or being entertained, (3) the business *purpose* of the expense or property, and (4) the *amount* of the expense or the cost of the property.

In addition, the number counters put tax preparers on the hook by providing that the person filing the return must be advised of the "substantiation" requirements. *And* preparers must obtain "written confirmation from the taxpayer" that the records have been kept. If you can't assure your tax specialist, *in writing*, that you have such records, then he or she isn't allowed to sign the tax return. And the law already required that all returns be signed by the preparer who did them. A nice little Catch-22 there, effectively turning private tax professionals into collection agents for the state.

So all right. Everyone take 15 seconds to moan and groan and gnash your teeth.

Now. You're reading this around the beginning of 1985. The above rules went into effect as of January 1, 1985. Go out and get yourself a business calendar or a business mileage log (if that's what you need) *right now*. And start using it. Every office supply store in America has a plentiful selection. *Especially* this year. Start to use them, each and every day, documenting each and every business expense, each and every use of each and every "listed property." Go write down your beginning-of-year mileage on your car right now. *Get in the habit of keeping total business records!*

The number counters want more number counters? Let's give them number counting till it's coming out their ears. It doesn't matter how you do it, whether with a calendar, a notebook, a mileage log, little slips of papers tossed in a shoe box, or on the margins of your *Wall Street Journal*. I read "adequate contemporaneous records" as being anything that contains the required information, written at or near the time of the expenditure or use.

Now, I've been thinking about this ugly little trend and what it could mean. The obvious reason for such rules is this: the state wants more tax money. For those of us who tend toward conspiracy theories, it could mean that Deep Mole supply-siders let this one pass through unmolested. Why? Because they want the tax system to become ever more onerous and detested, not only for the general citizenry but for the accountants and tax lawyers and tax preparers, too. Make 'em *mad*! And scared! Because 1985 will witness a titanic struggle over totally tearing down the existing tax system, to be replaced with something simpler and more rational, probably a "modified flat tax" of some sort. So it can't hurt to turn the system further against those who most benefit from it, the tax professionals.

Results? I see three main possible reactions to the new records rules and demands: (1) more taxes will be paid, because productive people won't be able to keep up the attention necessary to keep the demanded documentation; (2) *less* taxes will be paid, because those inclined to stay within the system will master recordkeeping to nail down deductions and those *not* inclined to put up with it will further swell the already exploding subterranean economy; and (3) the whole system will have to be scrapped as a result of increasing outrage from virtually everyone not working for the IRS.

I like that last possibility a lot, and in fact that's probably what we're going to see during 1985. The problem is going to be that the "flat tax" won't really be "flat" at all but will penalize people who work hard, just as the present system does, only a little less so. Furthermore, the new tax code will be sold to the American people as a "great simplification," while people like Tip O'Neill, Robert Dole, and Teddy Kennedy will try to make it the greatest ripoff in state-loving history. But that's another battle, and one we should all turn our attention to.

Tim Condon is an attorney and tax specialist practicing in Florida.

Cross-Examining the Law

BY PATRICK COX

Randy Barnett grew up with an interest in the idea of justice that bordered on obsession. At the age of 10 he decided he would become a lawyer—"to get more justice." Today, he is the recognized legal expert on restitution—the idea that a criminal must compensate his victim—as a principle of criminal law.

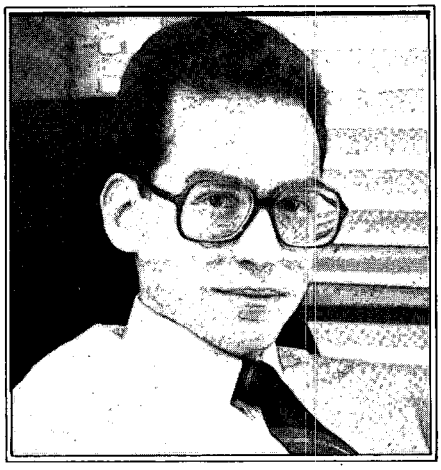
Having grown up in the Chicago area—where, Barnett says, "we had a philosophy, but didn't know from 'philosophy' "—he entered Northwestern University, intending to study political science. Instead, he became fascinated by "this thing called philosophy" and became a philosophy major.

It was at Northwestern that Barnett met John Cody, then a classics professor, and the two began discussing concepts of justice and law with each other. "I argued with him for about nine months," Barnett recalls. "John Cody is solely responsible for exposing me to and convincing me of libertarian ideas. He was very patient with me, and after he answered every question I had, I said, 'Geez, I guess that's right.' " Cody introduced Barnett to a wider variety of intellectual sources, especially in connection with a paper on punishment that Barnett was working on, and encouraged him to apply to Harvard Law School, to which Barnett was accepted.

While at Harvard, Barnett wrote his first paper arguing for a criminal-justice system based on restitution of victims rather than on punishment of criminals. The paper was to achieve a standard of recognition in the field that even Barnett never thought was possible. In 1977, *Ethics*, the prestigious journal affiliated with the University of Chicago Philosophy Department, published the article. Barnett then wrote a sequel to it, published in 1980 by the University of Notre Dame's *American Journal of Jurisprudence*. The influence of the two articles continues to widen.

After graduating from law school in 1977, Barnett joined the Cook County (Illinois) state's attorney's office as a criminal prosecutor. Then, in 1981, Barnett accepted a grant to do research in contract law, the field that he had intended to specialize in, at the University of Chicago Law School. When he left the University of Chicago, he took a job as a professor at the Illinois Institute of Technology's Chicago-Kent College of Law and is now in his third year there.

Barnett says that when he went back to academia, he was surprised to find himself an authority on restitution, though his specialty was contract law. His first article on restitution has been reprinted three times, including once in *Readings in Philosophy of Law*, a 1984 text published by Prentice-Hall. It is also coming out in a new edition of *Punishment and Rehabilitation*, a major text by the well-known scholar Jeffrie Murphy, and the second article has been reprinted in an Oxford University Press text, *Moral Issues*, edited by Jan Narveson. "That told me where my true satisfaction, not to mention comparative advantage, was," Barnett says. "I felt I could do the most good in academia."



RANDY BARNETT

Barnett doesn't believe in punishment, except for perhaps the very unusual person who has absolutely no regard for human life. In most cases, Barnett says, the law should focus on restoring the victim, not lowering the criminal.

We can view a crime, Barnett explains, as the criminal lowering the victim from the status quo, while the criminal may be raised. The punishment model of criminal justice asserts that the criminal should be lowered to the level on which he put the victim. But according to the restitution model, the criminal should be forced to raise the victim to the victim's original level.

Barnett also argues for ending the government's monopoly over legal systems. Government legal systems don't need a monopoly of jurisdiction that they claim to have, Barnett asserts. He points out that we already have 50 state court systems and a federal court system, whose jurisdictions are independent of one another. But, out of necessity, the systems function cooperatively. "Say a citizen of Illinois travels to California and injures a citizen of California," Barnett explains. "Two questions have to be resolved: which law will apply, and which court system will try the case?"

Barnett's alternative is the elimination of both the government legal system's monopoly of jurisdiction and its subsidization through taxes. "Those two unnecessary aspects of our legal system produce more injustice than you can possibly imagine," he declares.

The main difference between Barnett's proposed system and the one we now have is that the jurisdiction to which an individual belongs would not have to be based on home ownership or residence, as it is now. Instead, individuals could choose the jurisdiction to which they wish to belong without actually living there, just as corporations presently choose the state under whose laws they wish to incorporate without actually having to locate their business there. As a result of this latter fact, Barnett observes, "There is competition in incorporation law, and Delaware has been a leader and entrepreneur in the area."

"The more you know about the way our current system works," he says, "the more moderate my proposals are. The problem is that people believe in the myth of the state court system instead of the *reality* of the system."

About his style of argument Barnett says: "I call a spade a spade. If you do so politely—not with the idea of shocking people, but to explain that a system based on property and individual rights is not so very far from where we really are right now—people will respect you even if they disagree. People often see my proposals as very radical, but they really are not—though they could yield radical benefits."

Patrick Cox is a free-lance writer.

THE CONTRACTUAL COMPANY

Achieve ...

I — Continuity of Existence
II — Limited Liability
III — Centralized Management
IV — Flexibility

ANYONE may so arrange his affairs that his taxes shall be as low as possible;
HE is not bound to choose that pattern which will best pay the treasury.
THERE is not even a patriotic duty to increase one's taxes.

—Judge Learned Hand in Helvering V. Gregory 69 f 2d 810 (1934)

Avoid Probate, Death and Inheritance Tax and Capital Gains Tax

★ ★ ★ ★ ★ ★ ★

Reduce Income Tax

★ ★ ★ ★ ★ ★ ★

Tax Free Investment available:

• S.A.F.E. Fund paying **13%**

Nassau Life Insurance Company, Ltd.
Call Collect (809) 322-8445

Life & Liberty

I Have Seen MTV, And It Is Literate

By Pamela Regis

I swung through a student union at a large university a few months back and I heard Van Halen doing "Jump." I looked around for the radio or the stereo (silly me) and found that "Jump" was on the TV. It seemed to be a concert. There was Van Halen, on a stage, instruments and microphones in hand, with their lead singer mugging for the camera and doing a leaping high kick—first in slow motion, then at regular speed, over and over. But when this group finished "Jump," a different artist came on. Was it more than one group in concert? Then I saw the little title in the corner, and before long the disc jockey—or video jockey, they must be called—identified the videos we would be seeing and hearing in the next half-hour and identified the station as well. So *this* was MTV—Music Television.

In watching music videos, viewers must make the same mental moves demanded by the reading of lyric poetry.

As I grabbed a seat, I noticed that the folks watching the TV were mostly short—10 or 12 years old, playing hooky from their summer camp activities. Along a nearby wall, out of eyeshot, were the adults—all reading newspapers. An occasional person of the undergraduate persuasion would park for a few songs, but the steady watchers were the kids and me.

"Probably the only thing better than pop music," I thought, "is pop music with *pictures.*" I wondered what they, the kids, thought. They weren't saying much, mostly watching.

Now, I have put in some years reading John Donne and other stuff that is supposed to make me—make me what? Educated? Some would say it's supposed to save me from the horrible effects of TV—which I have happily watched for more years than I've read Donne. But these short people all around me had not gotten their cultural vaccinations. "What," I thought, "would MTV do to them?"

I don't have an absolute answer, but I do know that if I had a kid, I'd want him to watch MTV. It is literate. "Literacy," one Robert Pattison explains, "denotes consciousness of the questions posed by language coupled with mastery of those skills by which a culture at any given moment in its history manifests this consciousness." He is careful not to equate literacy with print or even with writing. For him literacy is an awareness of certain questions that language poses, a sophistication about what language is and does that transcends pen and book. Thus people who cannot read or write can be literate. A medium that involves neither reading nor writing can be too. And MTV is. Let me illustrate.

In one video we first see the group who recorded the song singing it on a stage. The camera pans around, shooting these musicians from below, making them appear larger than life. So far we have the familiar image—familiar, I suspect, ever since Elvis Presley appeared on the Ed Sullivan show—stage, performer, television image of the performer.

But then the image shifts. Suddenly there are costumed actors and the intimations of pursuit: an elegantly dressed man is ominously followed by thugs. We know they're thugs because they have a thug-like physiognomy immortalized on *Rockford* (TV thugs are a type)—and because their makeup echoes that of cadavers in horror films: a hint of red around the eyes, a chalky pallor to their faces.

With these characters, an astonishing thing happens. They mouth the words of the song still being sung by the now-unseen rock group. They *speak* to each other in the words of the song.

I submit that nothing less than an awareness of persona is being urged on the viewer here. The viewer associates the song with the group. Indeed, the first shot serves as a frame and cements this association: we see the group singing the song. Then the video overturns this—forces the viewer to see the words in a new perspective—coming out of the mouth of one of the characters in the subsequent vignette. That's the "who is saying this?" question that great literature makes us ask. I'll show you a parallel.

When I teach Donne's love poems, I point out to students that it is not so much Donne who is speaking each poem as a persona that Donne *invents* who is doing the talking. This MTV video does the same thing. It leads viewers to divorce the singer from the song, to associate with the words of a song a fictional construct. To reach awareness of the persona in Donne, or awareness of the alternate speaker in the video, requires the same leap in thought, the same mental move in both reader and viewer. In both cases, this is a very literate move. And this fictionalization of the song is commonplace in these videos; thus, so is the demand placed on the viewer.

There are other demands, as well. Richard Thompson made a video of his song "Wrong Heartbeat," in which we see Thompson arriving at Los Angeles airport, where he is taken in tow by a huge, ominous chauffeur-cum-enforcer who deposits him at a video production company in Hollywood. (We know it's Hollywood because we see the hillside sign.) Thompson sits at a table facing three very different people—a kissy-kissy agent type, a rather prim-looking woman who is dressed for success, and a new-wave type, wearing dark glasses, sporting impossibly blond, spiky hair. Each of these types shows Thompson an idea for a video—and as each begins to explain the idea, the viewer *sees* the video each

Photograph courtesy CBS

type is pitching at Thompson. Each type closes his or her spiel with an easily decipherable miming of the phrase, "This is *you, now.*"

Thompson regards their claim as an accusation, refuses to recognize himself in any of the three ideas, retreats to the pink car that brought him, rushes to the airport, and runs for his plane. He sees the "chauffeur" again and quakes with fear, but the huge man has followed him only to give him his forgotten guitar case.

Thompson's arrival and departure frame the three videos-within-a-video. In the space of five minutes the viewer shifts from the video that shows Thompson delivered to the video production company, to first one, then two, then three of the other possible videos, then back to the original, framing video for Thompson's escape. Frames, of course, are old devices—the first chapter of *Tom Jones* comes immediately to mind, but there are many older examples. They force an awareness of narrator on the reader, or, in the case of the video, force an awareness of alternatives on the viewer. Part of being aware of the questions that language poses is an awareness of alternatives. Well, there are at least four alternatives here, five if you count the "message" of the video—that Thompson didn't want to make any video.

I offer up a last example. A song popular a while back, Steve Perry's "Sherrie," contains very standard stuff about love enduring despite tribulations and problems. The video for this song opens with the chords of the intro—electronic keyboard music—and with Steve dressed as a medieval prince—or dressed as Hollywood's version of a medieval prince. There are retainers around. He's obviously holding court. Then a lady—probably a Lady—comes up a set of stairs and kneels at the singer/Prince's feet. We know the song well enough to know that the singer should belt out the first line, "You shoulda been gone. . . ." But he doesn't. Instead he casts a furtive glance at the camera dollying in on him, scowls, and says, out of character, "I can't do this."

The director says, "Cut," and suddenly we're watching another video about making a video. We see the slate with the black-and-white-striped board on it, and we see take two. Again Perry gets to the same point where he should deliver the first line. Again he doesn't.

Instead, he takes off his crown, steps out of the prince-robe he's wearing (he has his modern street clothes on underneath) and leaves the set of the medieval video (medieval video?). Another framing device.

He walks down the stairs, sits at the bottom of them, and, all alone, belts out that inevitable first line. Then Sherrie shows up, also in modern dress, and Steve sings the rest of the song to her. The cast of the medieval video, still dressed in their costumes, ends up watching Steve sing his heart out to old Sherrie (who we hope does not take Steve's last name if they should marry).

In addition to the frame, requiring one mental jump, viewers are confronted with the idea that it is appropriate to say certain words—sing certain songs—at some times, but not at others. The song is most un-medieval in its attitudes toward romantic love. But the awareness of how you use this language—that is, Steve's reluctance to do the medieval video—makes the viewer face the question of appropriateness, makes the viewer conscious of the language.

I would argue that this consciousness of language—of persona, of alternatives and frames, of appropriateness—would not happen if viewers were merely listeners—that is, if they merely heard the songs on the radio. And keep in mind that these shifts are happening in the space of from three to five minutes—about the time it takes to read a lyric poem. My comparison to Donne was not an accident. I think that music videos are the lyric poems of television—brief, complex, highly demanding of their "readers," and often about love.

The demands these videos place on their viewers can teach those kids who were watching. But only if the kids make the mental moves that the pieces demand. Just as I would not expect kids to read Donne unaided, at least for the first few poems, I would not expect them to respond to these videos as I have done. But the usual fear that I hear expressed—that these videos will turn kids' minds to sawdust—seems unjustified to me. Instead, I would worry about their going over the kids' heads, but I'd be glad if my kids watched.

Kids have reserves of sophistication about these things that we never tap. MTV is asking them to develop that sophistication. TV developing sophistication? You bet. MTV is literate and I'd want my kids to watch.

Pamela Regis teaches English at Western Maryland College.

¡Speak Spanish like a diplomat!®

What sort of people need to learn a foreign language as quickly and effectively as possible? *Foreign service personnel,* that's who. Members of America's diplomatic corps are assigned to U.S. embassies abroad, where they must be able to converse fluently in every situation.

Now you can learn to speak Spanish just as these diplomatic personnel do — with the Foreign Service Institute's Programmatic Spanish Courses. You'll learn Latin American Spanish recorded by native speakers.

The U.S. Department of State has spent thousands of dollars developing this course. It's by far the most effective way to learn Spanish at your own convenience and at your own pace.

The course consists of a series of cassettes and accompanying textbook. Simply follow the spoken and written instructions, listening and repeating. By the end of the course, you'll be learning and speaking entirely in Spanish!

This course turns your cassette player into a "teaching machine." With its unique "programmatic" learning method, you set your own pace – testing yourself, correcting errors, reinforcing accurate responses.

The FSI's Programmatic Spanish Course comes in two volumes, each shipped in a handsome library binder. Order either, or save 10% by ordering both:

☐ **Volume I: Basic.** 12 cassettes (17 hr.), manual, and 464-p. text, $125.
☐ **Volume II: Intermediate.** 8 cassettes (12 hr.), manual, and 614-p. text, $110.

(Conn. and NY residents add sales tax)

TO ORDER BY PHONE, PLEASE CALL TOLL-FREE NUMBER: **1-800-243-1234.**

To order by mail, clip this ad and send with your name and address, and a check or money order–or charge to your credit card (AmEx, VISA, MasterCard, Diners) by enclosing card number, expiration date, and your signature.

The Foreign Service Institute's Spanish course is unconditionally guaranteed. Try it for three weeks. If you're not convinced it's the fastest, easiest, most painless way to learn Spanish, return it and we'll refund every penny you paid. Order today!

116 courses in 39 other languages also available. Write us for free catalog. Our 12th year.

Audio-Forum
Room B-29
On-the-Green,
Guilford, CT 06437
(203) 453-9794

AUDIO-FORUM®

The Book Case

Disarming the Prophets of Doom

The Doomsday Myth
By Charles Maurice and Charles W. Smithson
Stanford, Calif.: Hoover Institution Press
136 pp. $16.95/$8.95

Reviewed by William Tucker

The environmental decade of the 1970s caught America off guard. Never had we encountered a philosophy that said economic growth is bad and industrial production is leading us down a road to disaster.

Moreover, environmentalists seemed to have contemporary events on their side. Pollution was becoming a problem. The earth's population was growing. And then there was the great resource event of the decade—the "energy crisis."

The Doomsday Myth, by Charles Maurice and Charles Smithson, is part of a growing body of literature arguing that environmental problems are not the death-knell of our civilization. In fact, just the opposite is true. Historically, they argue, societies' "great leaps forward" seem to have happened *in response* to environmental crises and shifts in the resource base, rather than during periods when people were prospering off the fat of the land. It is only by responding flexibly and imaginatively to changing economic conditions that societies have become creative enough to produce what we call "progress."

The book is one I've been waiting to read for years. In clear, simple prose, the authors take us back through nine "resource crises" of history. How did the Greeks respond to the loss of the tin that had produced the Bronze Age? How did England react to cutting down its medieval forests? Why did the technology of water power, which had been known for centuries, suddenly become widespread in Europe after 1300?

Maurice and Smithson, two economists at Texas A&M University, argue that in each of these cases there was a successful adaptation to a "crisis." The result was an even better economic prospect than the one that had already reached its limits.

- The Greeks, for example, took iron—a metal that had been regarded as a luxury ornament—and turned it into an effective substitute for bronze. The iron eventually proved far more useful.
- The English, after they had exhausted their wood supply, turned to coal. As a result, England, which had been a backward province of Europe, led the way into the Industrial Revolution and a great improvement in human well-being.
- The introduction of water mills, on the other hand, probably resulted from labor shortages produced by the Black Death. During the 14th century, nearly half the population of Europe died from the plague. Farms and manors were emptied of people, and the owners, forced to find substitutes for manual labor, turned to water power.

The lesson the authors draw from history is simple—let the market work.

The lesson Maurice and Smithson draw from these historical experiences is simple—*let the market work.* In each instance, they show, it was the movement of wages and prices that led to the successful adaptations that overcame resource crises. Human ingenuity can solve scarcity problems *if* we have the right information—in this case, information about the relative scarcity of resources. Prices provide such information. And if governing bodies end up hiding resource scarcity through restrictions, wage and price controls, and so on, the result is likely to be disaster.

It was the Emperor Diocletian, after all—the "last strong emperor of Rome"—who imposed universal wage and price controls on the tottering system. After that, it was downhill all the way.

What would have happened, one wonders, if the American people had responded to the "energy crisis" of the 1970s by electing Sen. Edward Kennedy, who wanted to solve our recent economic problems by permanently imposing wage and price controls on the entire American economy?

The Doomsday Myth is myth-shattering—dealing with the kind of misconceptions that infect our everyday sense of reality. How many times during the 1970s, for example, did we hear about the "government crash program" that had led to the overnight invention of synthetic rubber during World War II? I recall reading it several times in *Time* magazine alone.

Maurice and Smithson show that it just isn't so. Through diligent research, they have discovered that all the basic research and invention needed to produce synthetic rubber had already been done in the 1930s. American rubber companies—alerted by a British attempt to cartelize the market for natural rubber in the 1920s—had long since anticipated the problem.

All the Roosevelt administration did to solve "the rubber crisis" was to *start buying synthetic rubber.* (It did provide some capital to start plant construction as well.) Meanwhile, the government's Rubber Reserve Corporation—the 1940s equivalent of the present-day Synthetic Fuels Corporation—rejected the idea of synthetics and spent millions in an unsuccessful attempt to develop natural rubber supplies in Brazil.

Maurice and Smithson's brief book is rich in overtones. In particular, although they don't mention it, their view of history is very similar to Arnold Toynbee's concept of "challenge-and-response." This concept led Toynbee to hypothesize that, within certain limits, it is the societies that have dealt with adversary and limited-resource bases that have made the most progress.

Altogether, *The Doomsday Myth* is an extremely satisfying work. Written for the general reader—with plenty of gentle forays into economic thinking—it is a primer in the rise and fall of civilizations.

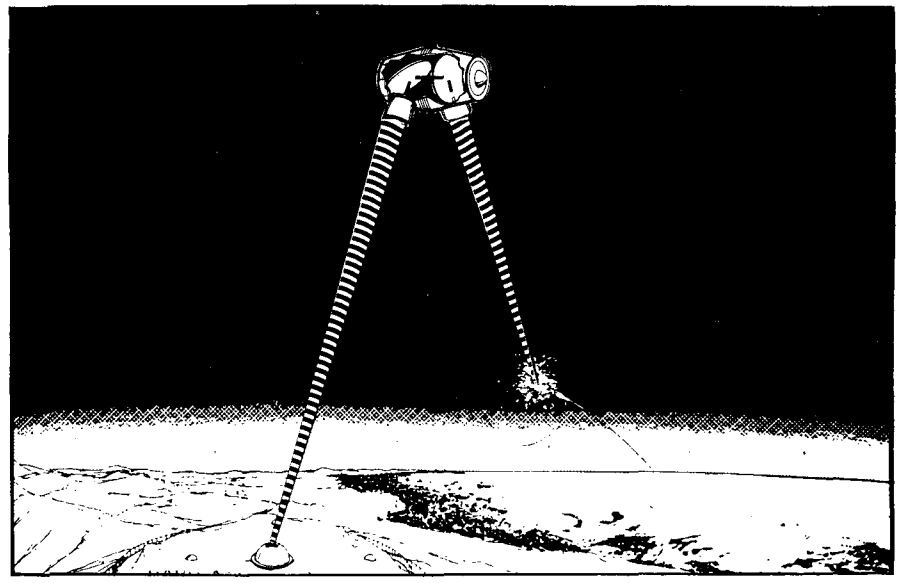
In addition, it is a healthy tonic for the "pack of pessimists" who have been roaming the American landscape in recent years telling us that our relatively mild resource problems are ringing the knell of our own civilization.

Contributing Editor William Tucker writes extensively on science and the environment. He is the author of Progress and Privilege: America in the Age of Environmentalism.

Dissolving the Nuclear Suicide Pact

A Defense That Defends
By Lt. Gen. Daniel O. Graham and Gregory A. Fossedal
Old Greenwich, Conn.: Devin-Adair
172 pp. $17.50

Reviewed by Gregory Benford



One type of advanced space-based defense system uses laser beams to destroy incoming missiles: from an earth laser site, a beam is transmitted to an orbiting satellite, which then focuses the beam on the target.

Ironically, the Department of War changed its name to the Department of Defense in the same era when it began to shift to a strategy of total offense. The current reign of nuclear terror is an inevitable product of the helpless awe that "the bomb" provoked among a generation of intellectuals.

In the furor surrounding President Reagan's call for a new look at defending the United States against nuclear attack, Lt. Gen. Daniel O. Graham has been a calm, reasonable proponent. A few years ago, in *High Frontier*, he took up a program explored and cast aside in the early 1960s, Project Defender. It envisioned an orbiting fleet of small, relatively low-tech rockets that could be sent against intercontinental ballistic missile (ICBM) warheads. Now, with the help of respected journalist Gregory Fossedal, Graham outlines in clear, incisive prose the broader policy history and implications of choosing to truly defend the United States in this nuclear era.

The Constitution requires of a president that he "protect and defend" the country. Instead, recent presidents have indulged in mutual suicide pacts with enemies, hoping the deal will never be consummated. This policy of Mutual Assured Destruction (MAD) has undermined US strategy far more than the Soviet Union's. A present White House aide compares it to "the effect you get when you shine a bright flashlight in the eyes of a wild animal at night. The animal freezes." And US foreign policy has indeed been consumed with fears that any move will lead to "increased tensions," heightening the chance that the other side will initiate its part of the mutual suicide.

But while the United States has stood frozen in fear, the Soviet Union has used arms negotiations to mask a huge nuclear buildup, never accepting for a moment the MAD policy. The Soviet government stresses defenses and counterforce—striking at an enemy first to disable his ability to conduct war. Obviously, MAD is the worst posture to take against counterforce, since it rewards a first strike enormously.

The American thirst for arms negotiations in the context of a MAD policy ignores a basic fact. As long as one's only response to an enemy's improvements in forces is to add more offensive weapons of one's own, there will always be an arms race *until one side loses heart.* That is precisely what the United States faces. Only if we develop another response—defense—can we change our philosophy and counter the growing despair over the nuclear suicide pact.

The program presented by Graham and Fossedal begins with the technical problem of intercepting warheads in space. Defending in space is a truly radical advance, and the High Frontier scenario is an appealing first step. It uses off-the-shelf technology, requires little research, and could be deployed within five to six years for less than $50 billion. Predictably, critics have downplayed it. Far easier to attack the concept of defense if it can be associated with Star Wars laser beams and far-out scenarios.

The furor over this issue will continue for years, because it strikes equally at core assumptions of left and right. "Both hawkish Pentagon generals and ardent nuclear freeze supporters will no doubt cringe at the suggestion that their approaches go hand in hand," note the authors. Both these groups assume that the Soviet leadership is rational, constantly calculating cost-benefit ratios. They assume that accidents will not precipitate a war and that we can trust everyone to be predictable. "A defense strategy, by contrast, says that we had better trust ourselves, and make peaceful preparations to limit the harm any country can inflict on us."

Defense is morally superior and plays to US advantages. We excel at guidance and tracking technology. We have every intention of taking full advantage of the industrial/commercial potential of space. Developing conventional "smart-missile" defenses will aid conversion of NATO to a non-nuclear posture.

Why, then, oppose defense? Technologists find nuclear weapons "technically sweet" in their ease and power, while defense is complicated and messy. Intellectuals embrace a Strangelovian notion of security through vulnerability. Politicians have virtually made prostration before the bomb a moral act. A current great oversimplification—that our problem lies in the weapons per se, and therefore no solution can come from any new weapons, defensive or not—has become a litany.

In a chapter "Answering the Critics," the authors incisively expose the pervasive treatment of *MAD* and *deterrence* as synonyms. They briefly respond to technical points, most of which are based on assuming impossible goals for any defense. (They quickly demolish the idea that because bombs are so powerful, any defense must be perfect: "General Grant put a cavalry screen in front of his forces

Illustration courtesy High Frontier/Heritage Foundation

not because the cavalry was invulnerable to Confederate fire, or because a few hundred horsemen could defeat 20,000 of General Lee's soldiers, but because he did not want the battle to commence with an assault on his main forces.")

Perhaps the most important facet of this debate is the wedding of arms control with defense. Readers of Freeman Dyson's recent and excellent book, *Weapons and Hope*, will find a startling overlap in philosophy: to achieve real security, we must reduce arms *and* defend, to avoid both MAD *and* nuclear winter. Graham and Fossedal see this clearly; a true defensive policy can seize the moral high ground and further American interests, coopting many positions earlier taken only by the left.

Graham and Fossedal quote a 1982 poll showing that 86 percent of the American public favors a change from our current offense-only posture, to one of defending against nuclear attack. If this sense can be turned into political strength, we may yet see a world that does not perpetually cower before the all-too-thinkable abyss.

Gregory Benford is a professor of physics at the University of California, Irvine, and a member of the Citizens' Advisory Council on National Space Policy.

Beware the Self-Styled Tax Advisor

The Social Security Swindle—How Anyone Can Drop Out
By Irwin Schiff
Hamden, Conn.: Freedom Books
256 pp. $12.95

Reviewed by John H. Northrup

If you have been reading the pages of this magazine awhile, it will come as no surprise to you to learn that the Social Security system is the greatest fraud ever successfully sold to American taxpayers. It is not "insurance." It is not a "retirement fund" into which you pay during your working years in order to finance your leisure ones. There is not (nor has there ever been) any special "trust fund" into which contributions are paid, accumulate, and later drawn down.

Social Security is a fraudulent insurance pyramid scheme that would be illegal if anyone but the federal government were perpetrating it. In fact, it occurred to me when I was running for governor of New York several years ago that if the administrators of Social Security were to be bound by the regulations of the Insurance Department of the State of New York, they might be serving jail sentences even now.

Face it, if you haven't already: the fact that your paycheck stub has a separate deduction on it for FICA (Social Security) "contributions" means nothing. Those deductions are taxes on your income, and just like other taxes, you will never see that money again.

The IRS will seize your property if necessary. After all, they seized Schiff's.

Irwin Schiff knows what Social Security is and is not. The value of his book, *The Social Security Swindle*, lies in his easily read explanation of exactly how and why the system is a scam. He also presents a fairly well documented history of the legal battles surrounding Social Security over the years, and it did this reviewer's heart good to discover that there was an occasional federal judge who saw the system for what it was. To the extent that Schiff's analysis and history of Social Security will enrage some readers and perhaps motivate them to act, it may be a useful work. But there are some serious problems with the book.

A not-so-serious problem is that the book is full of typographical and grammatical errors. "Freedom Books" appears to be Schiff's own publishing company. If he was his own publisher, he might also have been his own editor, and that is unfortunate for the book's literary integrity. Schiff's earlier book, *How Anyone Can Stop Paying Income Taxes*, was a Simon & Schuster publication and was eminently more readable, though it shared many of the same substantive problems with this new one.

The problems with Schiff's books, lectures, TV appearances, and other preachings stem not so much from what he says *about* taxes, Social Security, economics, and government (most of which is accurate), but from what he suggests people *do* about these things. *The Social Security Swindle*, like his other books, contains do-it-yourself letters, forms, legal papers, and so on, all supposedly designed to provide the reader not just with a method of refusing to pay but, by implication, with a method of refusing to pay *and getting away with it.*

When it comes to making a decision about the payment of taxes, there are really only a few rational choices available to those who believe that taxes amount to government theft. We can pay (while exercising the best tools available to us for *legal tax avoidance*, thus minimizing the bite), on the theory that we can be more effective agents of reform if we are not in jail. Or we can refuse to pay and take a principled, albeit risky, stand that amounts to civil disobedience, *all the time remaining fully aware* of the potential consequences to us of violating the law.

I have a great deal of respect for both positions. Unfortunately, what Schiff implies to his readers is that his methods amount to a way to refuse to pay without having to be concerned about the consequences of breaking the law. Sorry, but you can't have it both ways. Whether or not their collection procedures are legal or constitutional is of no concern to the IRS. When they receive your do-it-yourself forms and letters in which you claim that you have no *legal* obligation to pay, they are not going to respond with, "Oh, nuts, someone else read Irwin Schiff's book and discovered our secret loophole for not paying taxes. Oh well." No, they will seize your property if necessary.

After all, they seized Schiff's. In its April 2, 1984, issue, *Forbes* reported that the IRS seized $135,000 of royalties held by Simon & Schuster that were due Schiff for, ironically, his book *How Anyone Can Stop Paying Income Taxes.* And, on May 2, 1984, the *Wall Street Journal* reported that Schiff, "who was jailed in 1981 after claiming that no one need pay taxes," was ordered by the tax court "to pay $30,114 in taxes and penalties for two years for which he didn't file valid returns."

If you're going to refuse to pay taxes, I say, "Bravo." But don't deceive yourself (or be deceived by tax-protest movement writers) that the government will roll over and play dead because you can quote the Constitution, Black's Law Dictionary, and Irwin Schiff all in the same breath. Before you make such a decision, you would be well-advised to read what I consider the most important passage in Schiff's book. It can be found on the page

behind the title page, and it is a theme that is *not* repeated in the body of the book:

> This information is not provided for purposes of rendering legal...services, which can only be provided by knowledgeable professionals....The author and publisher disclaim any responsibility for any...loss incurred as a consequence of the...application...of any advice...presented herein.

John Northrup is director of the Graduate School of Professional Accounting at Northeastern University.

Can the Soviet Bear Be Confined?

Beyond Containment: Alternative American Policies Toward the Soviet Union
Edited by Aaron Wildavsky
San Francisco: Institute for Contemporary Studies
264 pp. $21.95/$8.95

Reviewed by Earl Ravenal

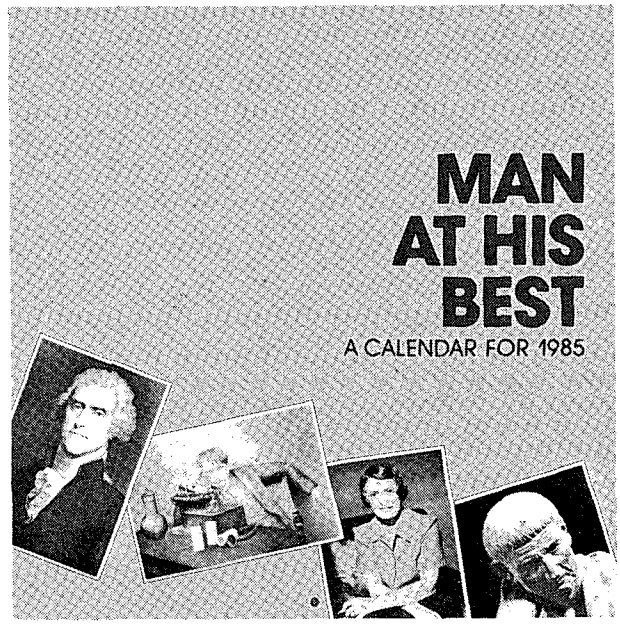
For nearly half a century, America has been committed to preventing the Soviet Union from expanding its sphere of influence. The increasingly obvious disabilities, strategic and fiscal, of that commitment to containment inspire a search for alternatives.

Aaron Wildavsky's brief, in *Beyond Containment*, is that containment has not been aggressively enough pursued to fulfill its promise of exacting substantial reform of the motives of the Soviet regime. So it is not surprising that any significant *downward* revision of containment is almost totally absent from the alternatives delineated in this book. Wildavsky contends from the outset that any serious retrenchment or disengagement would be a pure gift to our enemy—a form of "appeasement."

But Wildavsky and most of his collaborators in this book rely on a model of policymaking that mistakes the logic of foreign and defense policy formation. To them, policy moves are direct and deliberate responses to external exigencies. Of course, these days everyone is sophisticated enough to at least nod to internal economic, social, and political-constitutional factors. But in this book these are regarded as nuisances—perverse, but essentially subjective and ultimately malleable.

Paul Seabury characterizes his chapter in *Beyond Containment* as an exploration of "the sources of Soviet conduct." He paraphrases George Kennan's original theory to the effect that "the Soviet problem, given Western firmness, would eventually go away; the Soviet system would either disintegrate or undergo fundamental reform." As Seabury sees it, Kennan's original notion changed, after the Cuban missile crisis of 1962, to a kind of "therapeutic" relationship: We could teach the Soviets the virtues of strategic balance, restraint, and an assured second-strike nuclear capability. In turn, with the advent of Richard Nixon and Henry Kissinger, this led to even broader visions of "detente," with carrots to supplement the sticks and a vast scheme of "linkage" (underlining the interconnections among economic, technological, cultural, and defense issues) to encourage constructive Soviet conduct overall.

But to regard the Nixon-Kissinger diplomacy, as Seabury does, as a repudiation of containment, and detente as a sort of shallow "self-deception," is to miss an important aspect of their achievement: they brought forth a new international order to resolve the problems of the old. The policy Nixon and



Includes portraits and quotations of:

Aristotle
Leonardo da Vinci
Galileo Galilei
Isaac Newton
Thomas Jefferson
Johannes Brahms
Thomas Edison
Henry Ford
Frank Lloyd Wright
Maria Montessori
Ludwig Von Mises
Ayn Rand

ATR PUBLICATIONS • P.O. Box 6541 • San Jose, CA 95150 (408) 298-7218

Please send me _____ Calendars at $8.50 each plus $2.00 for first calendar and .50¢ for each additional Calendar for shipping & handling. California residents add 6.5% Sales Tax.

Total Enclosed $ _____
Name _____
Address _____
City, State, Zip _____
Phone _____

For gift orders please send names and address with your order.

SHIPPED VIA UPS — NO P.O. BOX'S PLEASE.

Kissinger had inherited was insolvent.

The insolvency of containment was not entirely unforeseen. Seabury cites Walter Lippmann as one who, opposing George Kennan in 1947, described the constitutional and fiscal impediments to America's attempting to play such a role: "It is not suited to the American system of government," he said categorically. It took a few decades of history to vindicate Lippmann. Even Seabury concedes that "we are left with a disquieting question, now that more than containment is called for: was Lippmann the diagnostician right or wrong *for the long haul* in his estimate of the American system?"

The faults of the present scheme of containment are delineated in Robert W. Tucker's essay. Surprisingly, in the company of most of his fellow-authors, Tucker sees these faults as proceeding not from insufficient effort but from our country's inability to meet the conditions even of what we have been trying to do for the past 40 years. Tucker poses the available choices for the United States: "confrontation, condominium, and withdrawal." Implicitly puncturing the enterprise of this book, he notes: "There is no novelty in any one of them. Each has been discussed and debated many times....The demand today that we devise creative new approaches to the Soviet Union appears to assume that there are alternatives other than those outlined above. Unfortunately, there are not."

Tucker's own policy predilection is what he calls "moderate containment," a sort of selectivity. But as the early George Kennan said, writing in *Foreign Affairs* in 1947, "[Soviet] political action is a fluid stream which moves constantly, wherever it is permitted to move, toward a given goal. Its main concern is to make sure that it has filled every nook and cranny available to it in the basin of world power."

Hydraulic metaphors, no less than their subject, flow in all directions. *If* the threat is of such a character that there is a case for containing it at all, then containment must be universal. Selectively containing that kind of threat is like trying to contain water in a two-dimensional vessel.

The problems of selectivity are seen even more clearly in the book's essay by Ernst B. Haas. His plan literally "scales down and redefines some American world order values, recognizing that we cannot, without risking our own ruin, continue the attempt to mold the world in our image." It also aims at a "delinking of issues." But "where should we be ready to fight?" Confronted with this hard question, Haas recites the familiar litany: "Western Europe, Japan, South Korea, and the Pacific." To this he appends two nonstrategic criteria: "the military defense of all democratic countries against Soviet threats, provided these countries wish to be defended," and "threats by allies of the Soviet Union against Third World countries with a democratic tradition." And there is yet another object of defense: "Key commodities that are essential for the economic welfare of the democratic countries." My calculation is that these items (or even fewer) are already costing the United States about $232 billion out of the $235 billion we are planning to spend for general-purpose forces in the 1985 defense budget.

Selectively containing the Soviet threat is like trying to contain water in a two-dimensional vessel.

Aaron Wildavsky's own solution is "political pluralization" within the Soviet Union, to be brought about by American influence and persuasion. To bolster his case, Wildavsky begins with an overstatement of the problem: "*Unless* there is pluralization within the Soviet Union, it is only a matter of time and opportunity before it seeks to subjugate the only force in the world [the United States] capable of resisting." But the best Wildavsky can suggest is a sort of Radio Free Europe writ large. For instance, he would "unmask" Soviet privilege and corruption by "broadcasting...consumer information" to Soviet citizens. But militant hawks who proliferate "necessary" conditions for our safety and do not deliver on the conditions unwittingly leave us in a position approximating despair.

Charles Wolf, Jr., recommends a mix of "declaratory policies," including the support of Third World liberation movements that are fighting "Communist imperialism." Wolf's array of measures is more complex than Wildavsky's, but it does not manage any better to carry us "beyond containment."

Max Singer's proposal combines the obligatory "war of ideas" with a change in our nuclear strategy to war-fighting and defensive modes. This would require a massive shift of spending and a large net increase: from the present $20 billion a year spent on strategic offense and $1 billion on strategic defense (actually, the full costs are much higher) to $5 billion on offense and $50 billion on defense for the most sophisticated, comprehensive system. This would go on for at least 10 years. What would we get for that half a trillion? Some capacity to intercept nuclear missiles, and lots of bomb shelters.

But a feasible interception technique is far from assured. And the Soviets might build more offensive missiles to overwhelm our defense. In any case, no prudent leadership would bet its country on pure defense; it would hedge by retaining substantial offensive retaliatory capability. This synergy of offense and defense might then be viewed by the Soviets as an attempt to achieve an *unanswerable*-first-strike capability. This might lead them to put their nuclear systems in a more precarious posture, with doctrines tilted to preemptive use.

For another contributor to this volume, James L. Payne, the real problem is "crippling domestic opposition... [which] stands as an almost insuperable barrier to the proper management of containment." His solution is "a policy of rhetorical simplicity." Payne assures us that he means "merely urging that administration officials be aware of domestic opinion and that they make a greater effort to have an impact on it." He complains that a recent bit of congressional testimony by some assistant secretary contained a sentence that is "forty-eight words long and takes eighteen seconds to say out loud."

Finally it becomes evident that the prescriptive thrust of this book is trivial. It is trivial because it considers domestic constraints in terms of "sentiment," a superficial phenomenon, something to bend or blind. Most of the authors (with the exception of Tucker and possibly Haas) do not take containment as a policy with liabilities that are tangible, in-

herent, and perhaps unalterable. It becomes clear that for the most part these authors of strategies "beyond containment" are not designing for a real world. Their world, which lacks the dimension of domestic reality, is just as stunted and fictitious as a world that lacked external threats.

Despite itself, the book thus opens the way to an appreciation of a radically *lower* strategic stance. In the end, we will have to settle for less security than we would like—perhaps even for less than we need.

Earl Ravenal is a professor of international relations at the Georgetown School of Foreign Service. He has written numerous articles and books on US foreign policy.

Juvenile Injustice

Find a Safe Place
By Alex Lazzarino and E. Kent Hayes
New York: McGraw-Hill
329 pp. $15.95

Reviewed by Stanton E. Samenow

A true-life drama, *Find a Safe Place* accomplishes two things. It conveys an important social message, and it is a "good read." Alex Lazzarino and E. Kent Hayes document through a narrative of three cases the consequences of incarcerating youngsters for whom society seems to find no other recourse. Adrift after his father's sudden death, Matt eventually finds himself in a boys' reformatory. Ralph, a deaf-mute but a perceptive, lively teenager, arrives at the same place because neither his mother nor his small town can understand his peculiar behavior, and what people do not understand, they often fear. Finally, Tony also finds himself behind bars, but for a different reason. Ralph and Matt are neglected and dependent youngsters, but Tony has lived a delinquent lifestyle in a ghetto environment.

The authors err, however, in lumping Tony in with the others. Ralph and Matt are basically victims of injustice, but Tony is no victim. He has outmaneuvered a host of people who have attempted to hold him accountable and help him. Undaunted by the system, his criminal record continued to grow.

The reader feels sympathetic to Tony because of his background—a squalid environment and a mother who "lived in a drugged fog." However, Tony's response to his environment is to victimize others. The authors would have us believe that this was a natural, almost excusable, response to the oppressive conditions of his life. But, of course, people who suffer make choices other than to commit crimes. Tony had numerous opportunities to be supervised in the community, but the judge finally ran out of options and committed Tony to a correctional facility. Neither Ralph nor Matt were so fortunate as to be given repeated chances to live in society.

The authors' message is so important that it is too bad they diluted it by lumping Tony, already a career delinquent, with the others. For there is a crying need to focus attention on youngsters who are wrongly caged in conditions under which they suffer physical and spiritual degradation.

Find a Safe Place is not another lurid account of atrocities behind bars. In fact, an outstanding feature of this book is that the description of what transpires in a reformatory is heavily psychological. The boys' tendencies to languish and become indifferent to others, to sink to the lowest common denominator, or to believe the worst about themselves are vividly documented.

Another strength of the book is the balanced and thereby credible portrayal of a spectrum of attitudes shown by those to whom these youngsters are entrusted. There is the overseeing cynical cottage parent who willfully allows the most sadistic teenage inmate to do for him his work of keeping the other inmates in line. There are the well-meaning judges and jailers who are compassionate but, because of their roles, see no way to alter the system and thus enforce what they find odious. Finally, there is a tiny minority of adults who care and are creative and courageous enough to defy the system, risking their careers in the process.

Although the stories of Matt, Ralph, and Tony are set in "mid-America of the 1960s," we are warned from the beginning that the problems of dependent, neglected children are at least as serious in the 1980s. "Think about the waste," we are admonished at the end. Long before ever penning these final words, the authors achieved their purpose. It is all but impossible to put this book down without getting the message long before the last page.

Stanton E. Samenow is a criminology expert and the author, most recently, of Inside the Criminal Mind.

Power Without Principle

Bernard Baruch: The Adventures of a Wall Street Legend
By James Grant
New York: Simon and Schuster
376 pp. $19.95

Reviewed by Jeff Riggenbach

The life and career of Bernard M. Baruch (1870–1965) have proved to be of continuous interest to Americans for two main reasons. First, Baruch was fabulously wealthy, and the fabulously wealthy are always of keen interest to those who have less—particularly when, as in Baruch's case, they manage to live lavishly even during periods like the 1930s, when almost everyone else has been reduced to poverty. Second, Baruch exerted considerable political influence, especially in the White House, for more than three decades of American life. And as James Grant's new biography of the financier makes clear, it is the second of these reasons that most deserves our reconsideration.

About Baruch's great wealth, there seems really to be little worth saying. All the evidence suggests that he came by it, not through the application of any sort of superior wisdom or knowledge, but through a combination of good luck and having the right contacts in the right places. As Grant tells the story, Baruch was an inveterate gambler, a man who was always placing bets—on horses, roulette wheels, golf games, bridge games, and presidential elections, as well as on the prices of securities. And he seems to have gone into most of his investments in business with the same attitude he brought to the track or the casino. He often knew little or nothing about the businesses themselves, and cared to know nothing. His interest was purely in the way the numbers came out at the end. He invested in railroads long after they had entered their long decline, because of his fondly remembered boyhood enthusiasm for trains. And he passed up an opportunity to acquire total control of the firm that later became Gulf Oil, because his gambler's hunches instructed him otherwise.

If his record overall was any better than what hunches and gambler's luck could have produced by themselves, then the difference was made up by what today would be called "insider trading." In

Baruch's heyday on the stock market, "fraud and 'active or intentional' concealment of information were illegal," Grant writes, "but directors and other insiders could generally trade as they liked with the knowledge uniquely at their disposal." And Baruch, a naturally amiable and gregarious man, pursued a lifelong policy of cultivating not only his fellow investors and stock traders, but also businessmen, politicians, and journalists—anyone who might know anything that might be useful to him.

Thus, Baruch became rich. By the time he was 30, this first-generation American, the son of a modestly prosperous physician, had made his first million. But he soon found that wealth wasn't enough. He also wanted power. So he went to Washington.

"When he arrived in Washington," Grant writes (the year was 1917), "the public debt was less than $3 billion, personal income tax rates were trifling and national economic planning was alien to American experience. On his departure, in 1919, the public debt totaled $25 billion, tax rates in the top bracket had climbed by more than tenfold to 73 percent and federal control of economic life was a firmly established precedent." Many of these changes were due directly to Baruch's efforts. It may seem "curious," Grant says, "that Baruch, an investor and speculator, should help to suppress free markets. He did so, full time...devoting himself to the transformation of capitalism into a kind of war socialism. This experience he called the greatest of his life."

The war that supposedly justified these economic controls was World War I. The war was enormously expensive. "In fiscal years 1918 and 1919," Grant writes," [the government] spent some $43 million a day, more than any other warring power and enough (as the War Department subsequently observed) to have financed the Revolutionary War for a thousand years at eighteenth century prices. Part of this money was raised by non-inflationary means—via taxation and borrowing from people's savings—but another part the Federal Reserve printed. Thus from 1917 to 1920, the level of credit created by the Federal Reserve grew by $3 billion."

"It developed," Grant writes, "that the Administration's plan was to raise politically expedient sums in taxes, to inflate the money supply as necessary and to mask the effects of inflation through selective price controls. Broadly speaking, the work of suppressing inflation was given to the War Industries Board," whose chairman was Bernard Baruch.

Baruch did not merely devote the war years to "deciding...how much ought to be produced, by whom and at what price." He, in fact, devoted the rest of his life to an attempt to impose government economic planning as a permanent feature of American life. Scarcely more than a decade after the war, he was helping to mastermind creation of the National Recovery Administration, a New Deal undertaking patterned more or less directly on the old War Industries Board. In the 1940s, according to Grant, he was urging President Roosevelt to adopt "all-out federal controls. In the first place, he said, the government ought to be able to direct industrial traffic according to the needs of national defense....It followed logically that price controls were also essential, he went on, because if prices were free to go up, rich buyers could divert raw materials from defense production merely by paying more for them. He insisted, moreover, that price controls must be all-encompassing, not 'piecemeal.' " In the early 1950s, Baruch responded to North Korea's invasion of South Korea by proposing what Grant calls "his usual emergency prescription: controls on wages, prices and profits; rationing; a tax boost double the size of the Administration's suggestion." And all along, he advocated other government interventions: in the '20s, he supported Prohibition; in the '30s and '40s, conscription; in the '50s, national health insurance; in the '60s, the war in Vietnam.

Bernard M. Baruch (1870-1965): Even "as he endorsed federal health insurance, conscription, peace-time wage-price controls and a national priorities board," observes biographer James Grant, "he issued stinging denunciations of socialism and of the oppression of the individual by the state."

Yet throughout his public career, Baruch consistently in his public statements decried government controls and advocated individual freedom. "I believe that the government should mind its own business," he wrote in 1930.

> I believe that the people who are least governed are best governed. You cannot make people temperate by passing the Prohibition law and you cannot make manufacturers prosperous by putting up a tariff wall which because of reciprocal action will drive our manufacturers into other countries....I do not believe that any makeshift economic measures which attempt to lift out any part of the population by their boot-straps is a part of governmental action. It will fail as the Prohibition law has failed. The people should be free to work out their own problems.

Yes, this was the same Bernard Baruch who advised president after president to militarize the American economy; the same Bernard Baruch who "believed," according to Grant, "that so long as the Soviet threat persisted there was nothing to do but put the nation's affairs on a quasi-war footing." The man was amazing. "As he endorsed federal health insurance, conscription, peace-time wage-price controls and a national priorities board," Grant writes of Baruch, "he issued stinging denunciations of socialism and of the oppression of the individual by the state."

What is one to think of a man whose actions are so at odds with his words? What else can one conclude except that such a man really has no principled beliefs of any kind, but only pays lip service to those he guesses will win him the widest popularity, while he works to advance his actual values?

What Bernard Baruch actually worked to advance was the concentration of power in government. Was power the only thing he really believed in all along? There were those who saw him in those terms, of course. Among them was President Harry Truman, who wrote in 1946 that Baruch "wants to run the world, the moon and maybe Jupiter—but we'll see."

Incredibly, James Grant does not see Bernard Baruch in this way. He prefers to evade the conclusion to which all his own evidence seems so inescapably to lead him. For Grant, a former *Barron's* columnist who now publishes his own financial newsletter, Baruch is best

Photograph by Underwood & Underwood/Bettmann Archive

understood as having neither fixed principles nor a hidden agenda of any other kind. "He could change his mind as easily on public issues," Grant says, "as he could about common stocks. He sincerely espoused some libertarian principles, but if a stray left-wing scheme happened to catch his fancy he saw nothing wrong with advocating that either."

But no matter. It is far less important that a reporter understand the implications of his findings than that he compile those findings with thoroughness and present them vigorously and readably. All this Grant has done, and we are free to see the meaning in Baruch's story that Grant has missed and to take heed.

Contributing Editor Jeff Riggenbach is executive producer of the Reason Foundation's daily radio program, "Perspective on the Economy."

LETTERS

(Continued from p. 8)

that needs to be fed, there are two hands willing to work. Miami is the richer thanks to the "Cuban Miracle."

Robert L. Deutsch
Houston, TX

Corrected Words

In the December issue there appeared a transcribed interview with me with my off-the-cuff answers. I must assume that in the third paragraph on page 40 I was correctly reported as saying that I had not written about a number of issues like abortion "because they are breaking ground." If so, I would like to correct this. I would never object to discussing issues for such a reason. All I meant to say was that most such issues are complicated and cannot be adequately dealt with by answers simply "for" or "against."

Henry Hazlitt
Stamford, CT

Time Warp

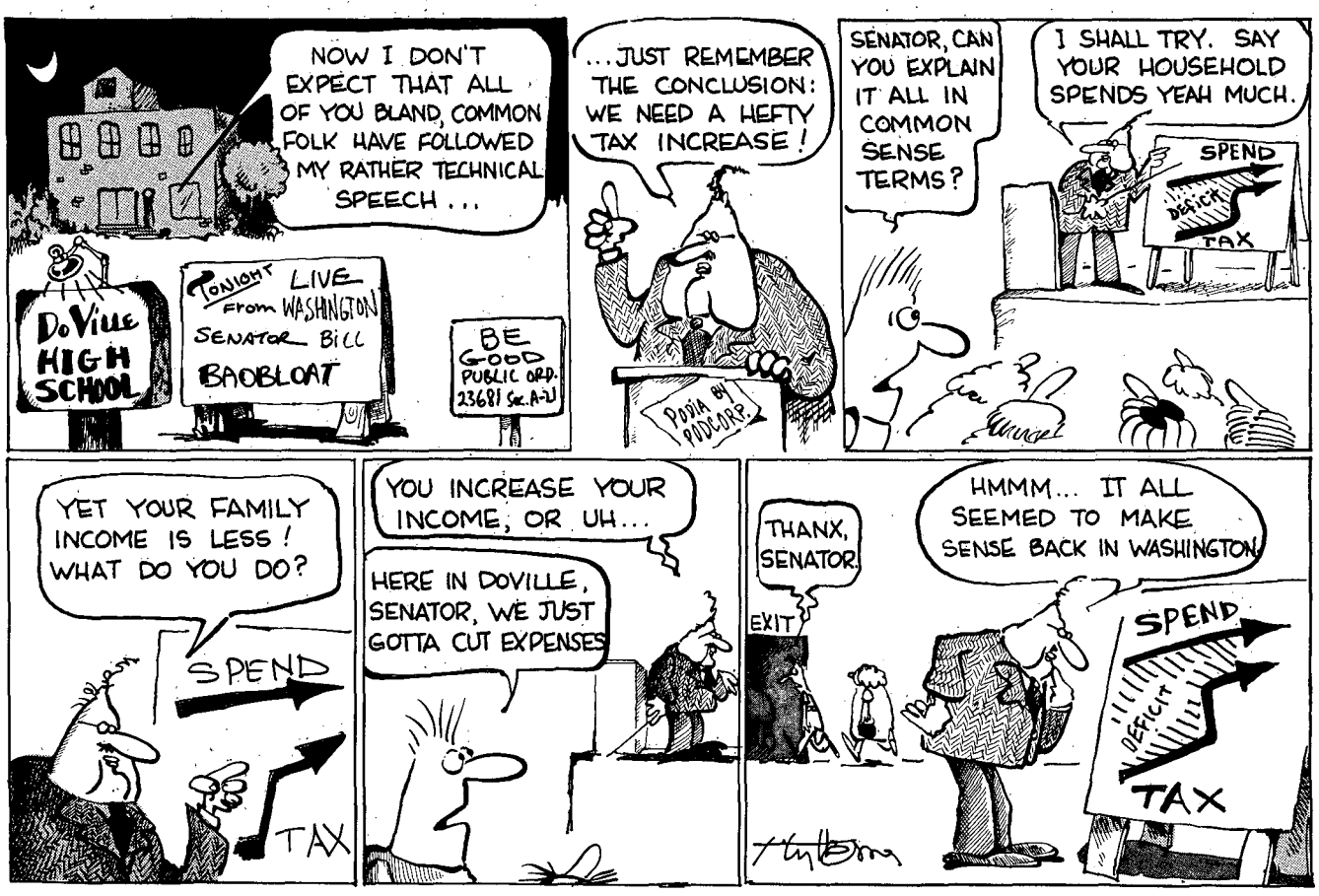
Okay, let's see if I've got this straight. Possibility one is that Henry Hazlitt is ambidextrous and wears identical watches on each wrist, and you didn't believe this was worth mentioning but did want to reveal it somehow.

Possibility two is that you took the occasion of the Hazlitt interview to impress, subliminally, on all new readers that the left-right political distinction is becoming obsolete.

Possibility three is simply that somebody goofed: either the photograph on

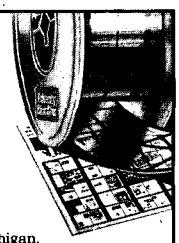
rudebarbs

RANDALL K. HYLKEMA


NOW I DON'T EXPECT THAT ALL OF YOU BLAND, COMMON FOLK HAVE FOLLOWED MY RATHER TECHNICAL SPEECH ...
...JUST REMEMBER THE CONCLUSION: WE NEED A HEFTY TAX INCREASE!
SENATOR, CAN YOU EXPLAIN IT ALL IN COMMON SENSE TERMS?
I SHALL TRY. SAY YOUR HOUSEHOLD SPENDS YEAH MUCH.
SPEND
DEFICIT
TAX
DOVILLE HIGH SCHOOL
TONIGHT LIVE from WASHINGTON SENATOR BILL BAOBLOAT
BE GOOD PUBLIC ORD. 23681 Sec. A-JJ
PODIA BY PODCORP
YET YOUR FAMILY INCOME IS LESS! WHAT DO YOU DO?
SPEND
TAX
YOU INCREASE YOUR INCOME, OR UH...
HERE IN DOVILLE, SENATOR, WE JUST GOTTA CUT EXPENSES
THANX, SENATOR.
EXIT
HMMM... IT ALL SEEMED TO MAKE SENSE BACK IN WASHINGTON
SPEND
DEFICIT
TAX

Permission to reprint this cartoon in periodicals is hereby granted, provided it is accompanied by this notice: Reprinted with permission from REASON magazine. Copyright © 1985 by the Reason Foundation, Box 40105, Santa Barbara, CA 93103. $24/year.

This publication is available in microform from University Microfilms International.



Call toll-free 800-521-3044. In Michigan, Alaska and Hawaii call collect 313-761-4700. Or mail inquiry to: University Microfilms International, 300 North Zeeb Road, Ann Arbor, MI 48106.

THE PROMETHEAN THEATRE COMPANY

PRESENTS

The Newborn King

Written and Directed by

DAN ROENTSCH

Jan 29 - Feb 3

Noel Coward Theatre

164 11th Ave.(22nd St.)NYC

For information, call (212) 719-9812

701 Seventh Ave., 9W, NYC 10036

Successful libertarian motion picture writer/producer seeks individuals to act as funding sources for feature length films with **both** libertarian themes and high box office potential. I would also like to hear from libertarians with solid film making experience interested in working on an upcoming feature. Reply Box Film, care of Reason Magazine, 1018 Garden Street, Santa Barbara, CA 93101.

LETTERS

page 36 is reversed, or the photograph on page 39 is reversed.

Of course, there is possibility four: you wanted to see how many of your readers are really paying attention. Which raises the question, Just how many readers did comment on the reversal of the Hazlitt picture? And what prize is offered for the discovery?

Dan Karlan
Waldwick, NJ

The editors reply: Possibility five: the right hand doesn't know what the left hand is doing?

What Monetarism?

Alan Reynolds's "Another Chance for Reaganomics?" (Nov. 1984) contains many points with which I agree. It also contains a serious factual error that Reynolds persists in repeating.

Reynolds blames the 1981-82 recession on the Reagan administration for forcing a monetarist policy on the Federal Reserve Board. Nothing could be further from the truth. Neither the supply-siders nor the monetarists in the Reagan administration believe that Fed Chairman Paul Volcker ever followed a monetarist policy....

People who are not direct participants in policymaking have a hard time knowing what is going on. When they refuse to accept the accounts of the policymakers themselves, they have nothing to rely upon but their own imaginations.

Reynolds is also wrong in assuming that the Fed took its cue from the Treasury. The Fed ignored the Treasury as well as the administration's request that it avoid abrupt changes in policy that would provoke a liquidity crisis. The Fed took its cue from conventional economists who warned of inflationary consequences from the Reagan tax reductions. The supply-side effort to improve incentives was widely misinterpreted as a policy to pump up consumer demand at a time when the inflation rate was double-digit and the "core inflation rate" was alleged to be 10 percent.

Volcker was convinced that the Reagan tax reductions would cause inflation to rise and that he would be blamed. To protect himself and his institution from blame, he simply turned off the money. I have documented and published these facts more than once. Yet, Reynolds persists in repeating the myth.

As Reynolds knows, I warned the administration in March 1981 of the recessionary consequences of the Fed's policy. By the summer of that year I, with Beryl Sprinkel's support, prevailed upon Treasury Secretary Regan to issue a public warning about the consequences of the Fed's policy. The Treasury's warnings were lost in the inflation hysteria of the time, just as today the deficit hysteria hides the true problems.

Paul Craig Roberts
Washington, DC

Paul Craig Roberts was assistant secretary of the Treasury for economic policy, 1981-82—Eds.

Mr. Reynolds replies: My complaint about *public* statements of the Treasury's top monetary official, Beryl Sprinkel, on May 4, 1981, and January 22, 1982, is not a complaint about what Craig Roberts wrote in a secret two-page memo on March 9, 1981. Dr. Sprinkel's speeches are a matter of public record.

Whenever Roberts complains about Fed policy, it is always by monetarist criteria, like "M1," which have repeatedly trapped the Reagan administration. Indeed, the *New York Times* recently (Dec. 3, 1984) referred to Roberts as "an ardent monetarist."

A monetarist *could* complain about too little money in March 1981 or 1982, yet be compelled by the same data to worry about too much money in May 1981 or January 1982. Monetarists finally stopped predicting double-digit inflation by late 1984, but a mere two-week rise in M1 made it impossible for them to explain why cash is still dangerously scarce and costly.

Inflation is indeed a matter of too much money, but economists don't know what "money" or "too much" really means. There is no information in M1 that is not known to the markets and therefore immediately reflected in exchange rates and commodity prices. An observed spurt in M1 may reflect either added demand or supply. That is why Switzerland was correct to let M1 rise at a 22 percent rate for a year and a half around 1978 and why a 3-4 percent annual increase in the US monetary base was not nearly enough from 1929 to 1933.

Yes, the Treasury *did* finally complain about the Fed's excess zeal by September 1981, April 1982, and November 1984, but in each case it was too little too late. Any sensitive price target would have provided much earlier and less ambiguous warning of the global excess demand for US money. That is the alternative perspective the administra-

tion has been missing, as well as a grasp of the fiscal consequences of monetary errors.

Address Correction Requested

I have a gripe I believe shared by other readers, in regard to a crime of omission I know I have committed in my own publications.

Specifically, I refer to the November 1984 issue's Spotlight on Martin Stone. I too am a former Gene McCarthy staff member, veteran of the civil rights movement, opponent of the Vietnam war, and currently a publisher primarily interested in diminishing government interference in our lives. I am younger than Stone, but my political evolution has been almost identical, going back to a 1961 editorial in the University of New Mexico student newspaper saying the Vietnam war was a very bad idea.

The gripe, however, is that your article, typically, doesn't say where to find a copy of *California Business* or where to write to find out about *World Paper*. Such things are very important to many of your readers, and especially to publishers who might want to deal directly with someone like Stone. I'll try to remember to put such addresses in my publications if you'll swear to do so too.

Mark Douglas Acuff
New Mexico Independent *and*
Sandoval County Times-Independent
Albuquerque, NM

The editors reply: Forgive us. The offices of *California Business* are located at 1981 E. Locust, Pasadena, CA 91107. And information about *World Paper* can be obtained from World Times, Inc., 44 Kilby St., Boston, MA 02109.

Sprinkling Doubts

As a senior medical student with considerable hospital and clinic experience, I must dispute your October Trends item "Saline Solution."

Referring to a study, you state that "those with hypertension [tend] to consume *less* sodium than their counterparts with normal blood pressure." But that's often because their doctors *told* them to consume less sodium because of their high blood pressure. Similarly, those with peptic-ulcer disease or heartburn tend to consume fewer spicy foods than their counterparts with a normal digestive tract. But that does *not* mean that spicy foods protect against peptic ulcers, or are innocent of triggering stomach pain.

The positive association of high blood pressure with excessive sodium intake has been demonstrated many times, by better studies than the one above, and also by clinical experience—blood pressure in hypertensive patients is easier to control in a patient who watches his salt intake. Moreover, studies of healthy persons, comparing salt intake to urinary salt clearance, clearly show that most people consume far more salt than they need.

So if you think you're about to embarrass the Center for Science in the Public Interest with that study, you're mistaken. Don't misunderstand me—I'm no more in favor of mandatory salt regulations than you are, because I believe that a person's diet is a matter for himself, in appropriate consultation with his physician, to decide—not for some governmental official to get involved in.

Excess salt intake cannot ever be considered a crime, since the high salt eater hurts no one but himself. But in hastily reporting a study which, at first glance, appears to contradict the wealth of clinical and epidemiological evidence used by the would-be regulators to justify their policies, when in fact that study does no such thing, you have played into the hands of the public-health establishment.

Terry A. Hurlbut
Houston, TX

Gold & Silver

You *know* why . . . But *Who*?

Liberty Coin Service has served the hard money investor with same day shipment, concise market reports, ***guaranteed*** delivery and authenticity, and ***lowest prices***. And we've been doing it since 1971. Isn't it time you began to deal with Liberty Coin Service?

Check **LCS** out. Call for our quotes, and compare **LCS** prices with those of your present dealer. You will find out how much you can save by dealing with **LCS**.

Or fill out the coupon below for a sample of our newsletter and our ***"Gold/Silver Information Packet."***

Liberty Coin Service
300 Frandor Ave., Lansing, MI 48912
Phone (800) 321-1542
MI Residents: (517) 351-4720

Please send me your ***"Gold/Silver Packet"*** and a copy of your most recent newsletter.

name _____

street _____

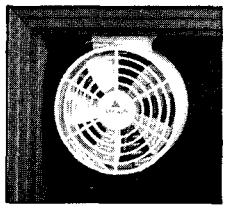
city _____ state _____ zip _____

TOOLS FOR LIVING®

A COLLECTION OF FIRST CLASS CONTEMPORARY MAILORDER PRODUCTS

When was the last time you learned the ins and outs of a product from a sales clerk? Tools for Living gives you high information value shopping. The products here have been researched, used and evaluated carefully and we provide all the relevant information. You can buy with the confidence of knowing exactly what you are getting — high quality, good value and satisfaction guaranteed.

A FAN FOR ALL SEASONS

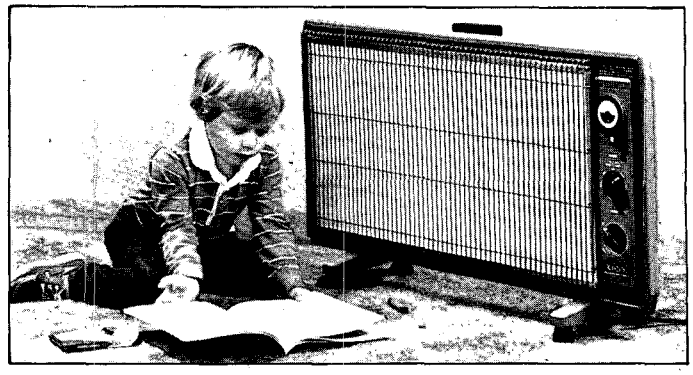


When you're using wood stoves or space heaters in winter or air conditioners in summer you're automatically creating "hot" and "cold" rooms. The trick is to disperse this warm or cool air uniformly throughout your home. The Con-Serv room-to-room temperature balancing fan does the job efficiently, quietly, economically. This little fan mounts high in the frame of a doorway and directs and balances air flow. Doors can still be closed and a reversible doorframe mount provides optional air direction. The Con-Serv temperature balancing fan has a two-speed 110-volt motor with a 10-foot cord. Weighs just 2 lb. 3 oz. and measures 5½" x 5" x 3½". It costs **$25.00** ($4.95) #A1250. Two for **$46.00** ($6.95) #A12502.

DEEP HEAT RELIEF

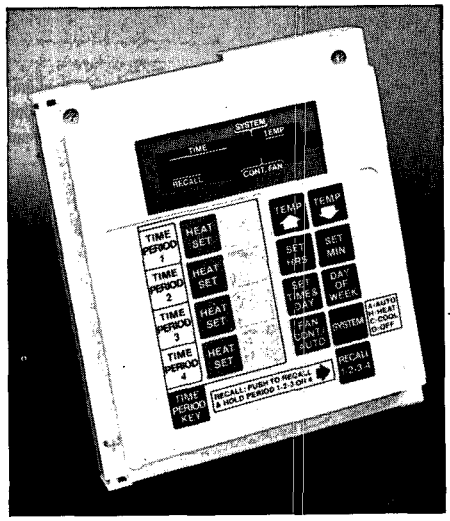
Heating pads and hot water bottles mainly warm the surface of the skin — their heat does not penetrate deep into muscles and joints. Infrared heat goes deep beneath the skin to reach the actual site of inflammation and discomfort. It has been used for years by doctors and therapists, in place of medication, to gain natural relief of pain. Now there is a home unit, the Infralux, that allows you to apply infrared heat yourself, as often as you like. Fast (5-10 minutes), effective relief of pain from sinus headache, arthritis, bursitis, backache, neuralgia, sprains, muscular aches and pains. Perfectly safe to use. Hi/low settings. 6" long. Plugs in normal household outlet. Comes with carry case for **$45.00** ($3.95) #A1175. Why take medications when you can get natural pain relief?

HIGH-TECH HEATER



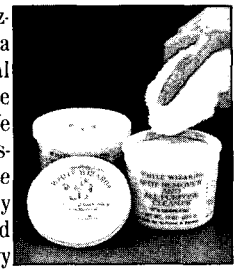
All electric heaters are bound by the laws of physics — for every watt in, you get 3.42 BTUs out. So the question is not how much heat do you get but how *comfortable* is the heat? That's where the Kendal radiant heater shines. A unique circuit has been permanently bonded to a ceramic-on-steel panel, so you get a maximum amount of heat very evenly transmitted across a large surface area. The panel always remains touchable. This solid state heater is dramatically thin — 35" x 20" by a mere 3" — and can be wall-mounted or wheel-mounted. Programmable 24-hour timer turns heater on and off automatically. Choice of 1000-watt or 1500-watt operation. UL-listed. **$139.00** ($12.95) #1224. This heater without the timer costs **$119.00** ($12.95) #A12241.

THERMOSTAT THAT THINKS YEAR-ROUND



The average homeowner can save up to 25% a year on home cooling costs, 30% a year on heating costs. What it requires is coordinating cooling and heating with actual patterns of use. The best expert helper you can find for this temperature-management task is the computerized Jade Thermostat Control. A built-in microprocessor lets you program up to four different temperature settings a day with different schedules for weekdays and weekends. Changeover between heating and cooling modes is automatic. Combined heat/cool setting range extends from 35° to 98°. Easy manual override if your normal schedule is interrupted. Continuous time and temperature display. Battery backup holds program 2 weeks should power fail. Homeowner installation takes approximately ½ hour (manufacturer offers toll-free advice if needed). Works with heat only and heat/cool systems, qualifies for Federal and State Energy Tax Credits, and costs **$99.00** ($4.95) #A1090. A companion model for two-stage heat pump installations costs **$159.00** ($5.95) #A1091. Three year warranty.

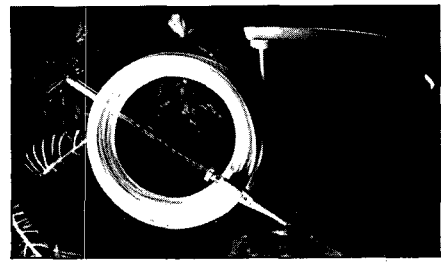
WELL-WROUGHT WIZARDRY



We tried White Wizard cleaner on a rug stain of several months' standing. The rug came clean. We tried it on the grass-stained knees of the kids' blue jeans. They came clean. We tried it on a necktie gravy stain. It came clean. Now it is the first thing we reach for when confronted with a grease, oil, blood, ink, berry, fruit juice, lipstick, coffee, tea, smoke or pet stain. We have found White Wizard exceedingly mild-mannered — odorless, neutral Ph, non-abrasive, biodegradable, compounded of 9 non-toxic quality chemicals. Two 10-oz. tubs of White Wizard cost **$12.00** ($2.95) #A1008.

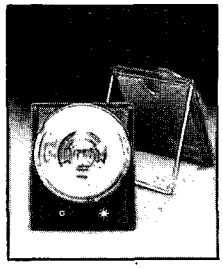
HOUSE HOSE

Do your houseplants run you ragged, back and forth, trip after trip, watering can in hand? What you need is an indoor garden hose to water them all in a single trip. The 50' House Hose lets you take a splashless stream of water where you want it, with on/off and adjustable flow control right at the handle. Separate misting attachment. This improved House Hose comes with dripless adapters to fit most kitchen or bathroom faucets. Special hose tends to recoil after use, simplifying put-away. The House Hose costs just **$14.00** ($2.95) #A1254, two for **$25.00** ($3.95) #A12542. It makes watering as simple as turning on your faucet.



TOOLS FOR LIVING®

SAFETY FLASHER



The Polaroid Corporation has brought the highway flare up-to-date with this solid-state flasher unit that gives up to 4 hours continuous flashing with a single revolutionary PolaPulse *flat* battery. Flasher cycles every 1½ seconds, high-visibility signal can be seen up to 1 mile away at night. Entire unit measures only 4″ x 3½″ x 1″. A pair of these flashers (batteries included) for **$15.00** ($3.95) #A1253. Two extra batteries cost **$8.00** ($2.95)#A12533.

7-FINGERED BLIND CLEANER

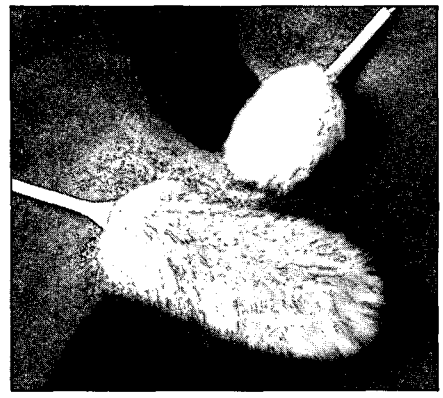
Now a California designer has finally solved the problem of how to clean venetian blinds. This tool has 7 roller fingers, 4″ long and covered with a synthetic lambswool that picks up and holds dust and dirt. Pull the trigger and the fingers spread enough to slip over the blind slats (6 mini-blind slats or 3 conventional slats). Release the trigger and move the cleaner back and forth along the blind. The rollers can be removed and washed. **$9.00** ($1.95) #A787. Two for **$17.00** ($1.95) #A7872.

FRESH AIR MACHINES

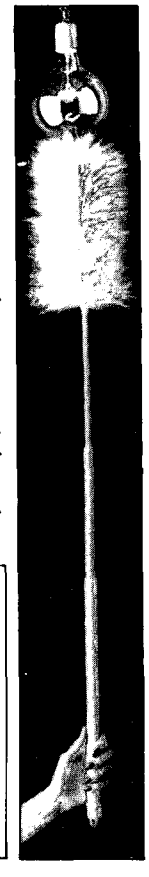
The Bionaire 500 is like moving a mountain breeze indoors. It removes 99% of all particulate pollutants from the air — goodbye to soot, dust, animal dander, pollen, cigarette smoke, smog, molds and fungi. The newly developed electret filter in the Bionaire 500 cleans 45 cubic feet of air a minute, the average room three times an hour. It includes a switchable ion generator — negative ions are well-known for their presumed psychological good effects, creating a sense of well-being. A switchable fragrance dispenser allows you to add a fresh scent to the air when you wish. The Bionaire 500 measures

11″ x 7″ x 5″, uses only 45 watts energy, comes in a beautifully styled brushed aluminum case. The Bionaire 500 costs **$150.00** ($9.95) #A1227. A larger model 1000 has three speeds instead of two and cleans 118 CFM of air. This unit measures 14″ x 8″ x 8½″ with a lifetime steel housing. The Bionaire 1000 costs **$289.00** ($12.95) #A1229. Both models are UL-listed

DUST MAGNETS™



Tools for Living has introduced tens of thousands of people to the delights of lambswool dusting in the past two years. Lambswool puts the feather duster to shame by making dust literally leap off surfaces where it has accumulated. This magnetic attraction is just the thing for dusting bric-a-brac, china, crystal, pictures and other fragile items. Our dusters are imported from New Zealand where climate conditions produce the highest quality lambswool in the world! Our all-time favorite, the standard 27″ long duster costs only **$7.00** ($1.95) #A780. Our newest find is a telescoping duster that extends to more than 4 feet! This *Tools for Living exclusive* is made with an extra heavy handle and collapses to 28″ for easy storage. **$12.00** ($1.95) #A1057. Buy both the standard and telescoping duster for the remarkable low price of **$19.00** ($1.95) #A1058 and we'll give you a bonus mini duster ($4.50 value) FREE!



ORDERING INSTRUCTIONS AND GUARANTEE: *We ship via United Parcel Service wherever possible to insure prompt delivery. The price of each item is shown followed by its shipping and handling charges in ( ). Be sure to add the item price* ***plus*** *shipping and handling charges for each item ordered to arrive at the* ***total price*** *of each item. If you are not satisfied for any reason, return the article to us within 30 days, and we'll exchange it or refund the item price, per your instructions.*

SUMPTUOUS SLEEPING YEAR-ROUND

There is simply no sensation like it — the luxuriously comfortable feeling you get sleeping on a pure wool fleece underblanket. The deep springy pile molds to your body and distributes weight more evenly. The natural insulating qualities of wool help you sleep cooler and drier in summer, warmer in winter. Most people find within a few nights that they are sleeping better, more restfully than ever before. Our SuperSleeper is imported from New Zealand, which boasts the world's finest quality wools, and goes *under* your bottom sheet. Twin: **$119.00** ($8.95) #A1180. Full: **$149.00** ($10.95) #A1181. Queen: **$179.00** ($11.95) #A1182. King: **$219.00** ($12.95) #A1183.

TOOLS FOR LIVING — **FOR FASTEST SERVICE ON CREDIT CARD ORDERS CALL TOLL-FREE 800-334-7777**

DEPT. RSB05; 203 LIBERTY SQUARE; NORWALK, CT 06855

ABOVE NUMBER IS FOR ORDERING ONLY. FOR CUSTOMER INQUIRIES AND CONNECTICUT ORDERS CALL (203) 854-9699.

SEND TO (PLEASE PRINT)	ITEM NO.	QUANTITY	DESCRIPTION/COLOR	ITEM PRICE	SHPG. & HNDLG.	TOTAL PRICE
ADDRESS						
CITY STATE ZIP						
ENCLOSED IS A CHECK OR MONEY ORDER FOR $ PAYABLE TO TOOLS FOR LIVING.						
☐ MASTERCARD ☐ VISA ☐ AM. EXPRESS EXP. DATE						
ACCOUNT #			ENCLOSED IS $1.00 FOR YOUR NEW **TOOLS FOR LIVING** CATALOG.			
SIGNATURE					**TOTAL AMOUNT**	

(Sorry, we cannot handle Canadian, foreign or C.O.D. orders.) Please allow 45 days for delivery from our receipt of your order.

© ISP, Inc.

ADVERTISEMENT

CLASSIFIED

ANNOUNCEMENTS

FREE PROMOTIONAL ALBUMS, concert tickets, stereos, etc. Information: Barry Publications, 477 82nd St., Brooklyn, NY 11209.

INVENTIONS, IDEAS, new products wanted! Industry presentation/national exposition. Call free 1-800/528-6050, extension 831.

LITERARY AGENT looking for screenplays, especially ones with libertarian themes. Also interested in humor and how-to books. Send with SASE to Diane Fallon, 2333 E. Coast Hwy., Suite D, Corona del Mar, CA 92625; 714/673-6203.

BUSINESS OPPORTUNITIES

AMBITIOUS INDIVIDUALS who desire unique business opportunity with large nationwide company. Can give you substantial income potential. Work from home or place of business. Requires nominal investment in time, money, and effort. Free information and cassette. RDG & Co., 2024 S. 28th St., Philadelphia, PA 19145.

$40,000 ON 1/3 ACRE! Unbelievable? Hardly! New Hydroponics works! Inexpensive. Practical. Free proof! Barnhill's, Box 1657, Brenham, TX 77833.

FREEDOM INSURANCE: Alternate Identities book, $10; Book List, $2 (refundable). DEALERS WANTED. Tech-Group, Box 93124, Pasadena, CA 91109.

EMPLOYMENT

EXECUTIVE DIRECTOR. The Libertarian Party of Texas is taking applications for executive director of the party. For details, please write Roger Gary, P.O. Box 12147, San Antonio, TX 78212, or call 512/696-5500.

WANTED: Activists with political/direct mail experience. Positions require ability to write fundraising letters for conservative political groups. Activists working to elect conservatives in 1984 elections are encouraged to apply. Send resume to: Ms. Alvis Barbour, The Viguerie Company, Suite 502, 7777 Leesburg Pike, Falls Church, VA 22043.

FINANCIAL

OIL LEASE. Northeast New Mexico, 560 acres. Write J.M.W., Box 41, Cardington, OH 43315.

REDUCE EXPENSES 20%! Improve quality, reliability, productivity in manufacturing, white-collar, service operations. FREE brochure. Sage, P.O. Box 128, Newbury Park, CA 91320-0128; 805/495-4033.

THE ULTIMATE TAX SHELTER investment vehicle in America—common law contract trust organizations. Accumulate unlimited wealth tax-free. Legally avoid probate, estate/inheritance taxes, gift taxes, and ALL INCOME TAXES on business and investment income. This newly discovered information makes all other tax shelters obsolete. Free info: William Nicholson, Sovereign Trusts, PO Box 20280, Reno, NV 89515.

ORGANIZATIONS

FREE INTRODUCTORY BROCHURE: Atheist, Humanist, Agnostic, Freethinker, Rationalist, Objectivist, whatever. We're inclusionary, not exclusionary! Atheists United, Box 65706-R1, Los Angeles, CA 90065; 213/254-4914.

JOIN DAVID BERGLAND, Ed Clark, Robert Poole, Murray Rothbard, and many other Libertarian stars at the Freedom Fair. It's the annual convention of the Libertarian Party of California, February 15-18, 1985, in San Mateo. Freedom Fair—four days to talk principle, talk politics, talk liberty. We'll have debates, seminars, workshops, films, banquets, and parties. Write or call for a FREE brochure. Freedom Fair '85, P.O. Box 60995, Sunnyvale, CA 94088; 408/279-3733.

EX-OBJECTIVISTS wishing to reconsider their affiliations are invited to consider a new Objectivist organization, the Foundation for the New Freeman, 1909 Beacon St., Brookline, MA 02146.

A DISPROPORTIONATELY high number of the members of INTERTEL (a high I.Q. society) are Libertarians or people with strong Libertarian leanings. Could be you would feel at home in INTERTEL, P.O. Box 15580, Lakewood, CO 80215.

GAY LIBERTARIAN NEWSLETTER. Send SASE to: Libertarians for Gay and Lesbian Concerns, P.O. Box 953R, San Francisco, CA 94101.

PORTLAND LAISSEZ-FAIRE Social. Since 1983, monthly Washington/Oregon party for people who support a laissez-faire society. For fun, contacts—not politics. Call Burgess Laughlin, 503/223-6871 (day), 221-1397 (evening).

PERSONALS

ENCHANTING ORIENTAL LADIES desire romance, love, marriage. Photos, details. Send $2.00 refundable w/o. Friendship, 4959 BV Hollywood Blvd., Hollywood, CA 90027.

CLASSICAL MUSIC Lovers' Exchange. Nationwide link between unattached music lovers. Write CMLE, Box 31, Pelham, NY 10803.

MALE SEEKS attractive female with libertarian values (Dagny Taggart). Location unimportant. Write Garin Hoover, Box 36700, Strongsville, OH 44136.

UNIVERSITY DEGREES! Economical home study for bachelor's, master's, doctorate. Prestigious faculty counsels for independent study and life experience credits. Free information. Richard Crews, M.D. (Harvard), President, Columbia Pacific University, 1415 Third St., Dept. 2L92, San Rafael, CA 94901; (toll free) 800/227-1617, ext. 480; California: 800/772-3545, ext. 480.

PRODUCTS

NBI (Nathaniel Branden Institute) records wanted. Send price to: Dick Carey, 5 Walnut St., Arlington, MA 02174.

MOVING AVERAGES? If you use moving averages to trade stocks or mutual funds, then STOKPLAN may be for you. This software program calculates moving averages, displaying and printing them graphically and in tabular form. It permanently stores each daily (or weekly) price update you enter and uses this date to calculate (or recalculate) any moving average between one day and 2610 weeks. STOKPLAN is available for $40.00 from Erdel Enterprises, Box 6343, Albany, CA 94706. Specify format and computer: MS-DOS (IBM) or CP/M. Other formats if demand justifies.

IMPOTENCE—males, females. Herbs work 100 percent. Enjoy sex again. SASE. Box 3415, Joliet, IL 60434.

FREELAND: New/Free Country Conference. Tapes available. Including Poul Anderson, Gary Hudson, Wendy McElroy, Barry Reid, etc. Also, we have books and FREELAND stamps. Free catalog. FREELAND, Box 26044, Santa Ana, CA 92799.

MISSED THE 1984 Future of Freedom Conference? Tapes now available of Jack Wheeler, Ruth B. Hill, Ayn Rand Tribute, and over 70 tapes from past conferences (Branden, Hess, Rothbard, Casey, Szasz, etc.). Write for free catalog: Box 26044, Santa Ana, CA 92799.

PUBLICATIONS

ARISTOS—THE JOURNAL of Esthetics. Third year. Sample, $1.00. P.O. Box 1105-A, Radio City Station, New York, NY 10101.

AVOID HIGHER TAXES. New IRS rules will eliminate auto and plane deductions for most taxpayers. Don't pay more! Tax Able Publications, P.O. Box 27216, Albuquerque, NM 87125.

THE OBJECTIVIST SCHOLAR—*an open exchange of ideas.* Winter issue: Menger, literary criticism of *Atlas.* $7/yr. 25 Rydal Ct., Oakland, CA 94611. Free information. Bumper stickers, $1.00: "*Be an Objectivist Scholar.*"

LIBERTARIAN CONNECTION, 17-year-old open-forum magazine. Subscribers may (but needn't) insert two pages/issue free, unedited. Lots of stimulating conversation. Eight issues (one year), $10. 9850 Fairfax Square, #232R, Fairfax, VA 22031.

REAL ESTATE

ROATAN ISLAND, Republic of Honduras. 125 acres with superb beach ready for development. Reply Box PR, REASON, for further details.

RATES: 75 cents per word, $10.00 minimum. Telephone numbers count as one word; box numbers count as two words. Add $1.50 per insertion for REASON box number. *Payment must accompany all orders.* Copy must be received by the first day of the month two months prior to issue date (e.g., advertising for the March issue, which is mailed in February, should reach us by January 1). Check or money order should be made payable to REASON and sent to REASON Classified, Box 40105, Santa Barbara, CA 93140-0105.

THE CLASSIFIED AD DEADLINE FOR THE APRIL ISSUE IS FEBRUARY 1.

THE DISCOVERY OF FREEDOM

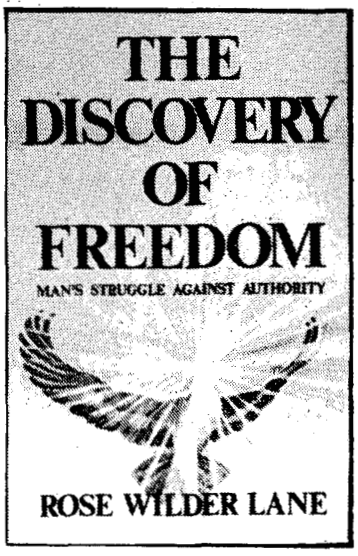
by Rose Wilder Lane

Reviewed by Ed Crane

"Here is a planet, whirling in sunlit space." Thus does Rose Wilder Lane embark on her classic story of *The Discovery of Freedom.* It is an appropriate beginning for a work that is so powerful it may well have launched the modern libertarian movement. Originally published in 1943, *Discovery* had the impact of a lightning bolt, setting intellectual fires that burn brighter than ever today among the modern intellectuals who are leading the growing assault on state control of our lives.

This is a book of timeless importance. It must be read by anyone who is seriously interested in the heritage of liberty—not just in America, but the world over. And reading it is a joy. Lane, who is said to have written the book "at white heat," was at once a brilliant thinker and a gifted storyteller.

In a sense, *Discovery* is a story, a wide-ranging narrative that traces the history of man's attempts to establish a "recognition of the fact that human rights are natural rights, born in every human being with his life, and inseparable from his life; *not rights and freedoms that can be granted by any power on earth.*" Rose Lane brings history alive in tracing the monumental struggle between those who would impose (or allow themselves to be subjugated to) Authority and that heroic minority who through the ages comprehended "the nature of human energy; individuals generate it, and control it...



Every human being, *by his nature*, is free."

There are numerous minor flaws in *Discovery*, but as Albert Jay Nock wrote in a review of the book, "When it comes to anything fundamental, Mrs. Lane never makes a mistake." Indeed, she doesn't. This book is a withering attack on statism, nationalism, and what Hayek calls the "fatal conceit" of national economic planning. It is an intellectual *tour de force* that stood up to the collectivist paradigm of its time and pointed the way to rediscovering the radical principles of the American Revolution—a *true* revolution unlike those of the Old World that "are revolutions only in the sense that a wheel's turning i a revolution."

Rose Wilder Lane was a truly remarkable woman. Like Jefferson, she attacked life, living it to the fullest, as adventurer, journalist, world traveler, iconoclast, and just prior to her death, war correspondent in Vietnam. True, she had manifest (and Menckenesque) prejudices, developed, one suspects, out of a need to economize on time as she went about her tireless journey learning about life, the world, and the true meaning of freedom. But the clear-eyed determination, supercharged energy she brings to attacking the enemies of liberty in *Discovery* is unique among prominent libertarian writers. Ayn Rand's glorification of "selfishness" is ultimately less convincing than Lane's individualism tempered by a recognition of and respect for the "brotherhood of man." (Interestingly, Rand owed an enormous intellectual debt to Lane, which was never acknowledged.) And Rothbard's fascination with the internal logic of libertarianism (which often leads him to unwarranted conclusions in his quest to tie up all the ideological loose ends) lacks the pure joy of human liberty that animates the writing of Lane.

Rose Wilder Lane was a giant in human history. *The Discovery of Freedom*, which happily is now available in this new edition, tells you why.

qpb, 284p **$8.95**

Other Introductions to The Literature of Liberty

Rothbard, FOR A NEW LIBERTY $6.95
Hazlitt, ECONOMICS IN ONE LESSON $5.95
Nock, OUR ENEMY THE STATE $6.95
Tannehill, THE MARKET FOR LIBERTY $14.95

MONEY BACK GUARANTEE

If for any reason you are dissatisfied with any book, just return it for an immediate refund.

CHARGE YOUR ORDER BY PHONE

You can order by phone and charge your VISA or MASTERCARD. Call (212) 460-8222 between 11:00am and 6:00pm Eastern time, Monday thru Saturday.

ITEM	PRICE
SUBTOTAL	
N.Y. State residents add sales tax	
Shipping & Handling US Post $2.25. UPS $3.50	
TOTAL:	

PLEASE SEND YOUR ORDER TO

LAISSEZ FAIRE BOOKS INC

DEPT. R52, 206 MERCER STREET, NY NY 10012

☐ Send me your FREE catalog of over 500 titles.

☐ Check or Money Order ☐ MasterCard ☐ Visa

CARD NO. EXP. DATE

SIGNATURE

NAME

STREET

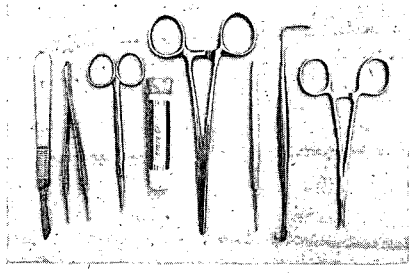
CITY/STATE ZIP

© 1985 LAISSEZ FAIRE BOOKS

Further & More

MEDICAL GLUE STUCK IN FDA MAZE

The life-saving capabilities of the medical glue cyanoacrylate, sold in a nonmedical form under trade names like Krazy Glue and Super Glue, have once again made the news. Two dramatic instances of the glue's use recently came to the media's attention. One involved a 2-year-old girl, the other a 51-year-old man; in both cases, doctors used the glue to "patch" life-threatening blood-vessel defects.



Though doctors have been using cyanoacrylate to save lives since the 1960s, when it was widely used to aid wounded soldiers in Vietnam, the Food and Drug Administration (FDA) has never approved the glue for general use. As documented in a May 1980 REASON cover story ("What Ever Happened to Human Body Glue?")—later picked up by the TV show *NBC Magazine*—the FDA prohibited all medical use of cyanoacrylate in 1972. Using tests widely discredited by scientists, the FDA determined that the glue might cause cancer in laboratory animals. Finally, in 1976, the agency started reissuing permits for investigational use of the glue but still withholds general approval.

James A. Murray, spokesman for Johnson & Johnson, told REASON that the company's Ethicon division makes and distributes cyanoacrylate without charge to physicians "as a service," but the firm is not even seeking FDA approval for the substance. Citing all the long and costly tests and procedures that the FDA requires for a drug's approval, Murray said that commercializing the glue wouldn't be worth the time and expense of getting FDA approval.

The medical glue story is just one of many examples of the way FDA regulation can stifle the development and availability of valuable drugs. Everyone, of course, would like to choose drugs that are safe. But with the FDA making that choice for all of us, some of us are paying for it with our lives.

A RIGHT HOOK FOR HOME KNITTING

Reagan's Labor Department has come out of its corner for another round in the battle over home work, reported previously in Trends and in October's cover story on the latest in home work, telecommuting.

It was in 1943 that the Labor Department first banned home work in seven garment industries, because department officials said that they couldn't enforce minimum-wage laws when people do piece work at home. As the years passed, the ban wasn't much enforced—until four years ago, when the Labor Department cracked down on hundreds of home knitters in rural Vermont. A TV news show featured their plight, and the Labor Department under a new administration tried twice to rescind the ban on knitted-outerwear home work. Each time, the International Ladies' Garment Workers Union (ILGWU) mounted a legal challenge.

The Labor Department kept up the fight and in November again lifted the ban on home knitting under a plan that it says meets legal objections. This time the department has established a registration system in which employers maintain a log of hours and products so that Labor's inspectors can make sure that minimum-wage laws are being observed.

"I'm tickled pink," home knitter Virginia Gray of Greensboro, Vermont, told the *New York Times*. And Robert Ruddock of the New England Legal Foundation, which has represented Vermont home knitters, told REASON, "The idea of any registration at all is bothersome, but what you have to do to register under this plan isn't difficult. And if this registration plan works for home knitting, why can't it work for the other six garment industries?" (Ruddock had told REASON last October that if any new Labor Department registration plan "is unduly burdensome for our clients, we'll go back to court.")

The ILGWU, however, was clearly not as pleased as Gray and Ruddock. Union president Sol Chaiken charged that the new legalization of home knitting would "open the way to sweatshop-style exploitation and create new competition for the factory garment industry." In mid-December, the union had not announced whether it would give up the fight or go for another round in the courts.

NOTES ON VOTES

Tax-revolt initiatives didn't fare very well in the November elections. Among the failures were a Michigan tax-slashing measure, a "Save Proposition 13" initiative in California, and an Oregon property-tax ceiling. On Guam, voters rejected a measure that would have cut territorial-government spending until a balanced budget was achieved.

One bright spot was Nevada, which approved a limitation on property-tax increases and a stipulation that a two-thirds vote is necessary to raise taxes. It will come up again, though, because Nevada law requires that it be approved by the voters a second time before taking effect.

Montanans were expected to vote on a constitutional convention to draft a balanced-budget amendment. But, as in California, the measure was struck from the ballot by the state's supreme court. Montanans were able to vote for decontrol of milk prices in the state, but the measure lost.

Alaskans voted to abolish their state's transportation commission, thus substantially deregulating their intrastate transportation. This was a victory for the Libertarian Party there, which had been working actively for deregulation.

The voters of Utah rejected a proposal to ban sex-oriented films on cable TV, and their North Dakota neighbors voted to amend their state constitution to protect the right to keep and bear arms. Oregon officials were eventually successful in keeping off the ballot an initiative to decriminalize marijuana.

Voters in Santa Monica, California, the home of one of the nation's most stringent rent-control laws and the stomping grounds of Tom Hayden and Jane Fonda, reelected Hayden to the state assembly in November. On the other hand, voters dismantled a tenant-activist majority on the city council. "Let's just say that the city is coming back to its senses," conservative councilwoman Christine Reed told the *Los Angeles Times*.

Explore the corridors of time.

Keepers of Antiquity, the Empires of Civilization.

6155. **Keepers Of The Keys: A History Of The Popes From St. Peter To John Paul II.** *By Nicolas Cheetham.* Investigates the changing role of the papacy. $19.95/**$14.50**

2840. **Byzantium: The Empire Of New Rome.** *By Cyril Mango.* The centuries from 324 to 1453 are brought brilliantly to life in this view of Byzantium. $17.50/**$12.95**

1263. **A History Of The Ostrogoths.** *By Thomas S. Burns.* Relates the story of a ruthless Germanic tribe who shook the very foundations of the Roman Empire. $19.95/**$14.50**

The Architects of Destiny.

8425. **Cincinnatus: George Washington And The Enlightenment.** *By Garry Wills.* Gives a fresh perspective on one of America's greatest heroes. $18.95/**$13.50**

1529. **In The Presence Of The Creator: Isaac Newton And His Times.** *By Gale E. Christianson.* A portrait of a towering genius in the history of science. $27.50/**$18.50**

8284. **The Devil's Horsemen: The Mongol Invasion of Europe.** *By James Chambers.* The dramatic, but little told story of the 13th-century Golden Horde. $11.95/**$8.95**

Crisis, Conflict and Compromise.

8490. **The Indian Frontier Of The American West, 1846-1890.** *By Robert M. Utley.* The events of the final half-century of conflict between Indians and whites in the American West. $19.95/**$13.95**

8391. **Intrepid's Last Case.** *By William Stevenson.* Describes one of the most widespread cover-ups and bizarre betrayals in intelligence history. $16.95/**$12.95**

4820. **The Wars Of The Roses: Peace And Conflict In Fifteenth-Century England.** *By John Gillingham.* $20.00/**$13.50**

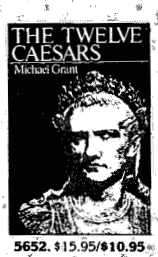
Critical Issues, Diverging Ideas.

4911. **The Structures Of Everyday Life: The Limits Of The Possible, 15th-18th Century (Civilization and Capitalism, Vol. I).** *By Fernand Braudel.* Interesting facts on four centuries of socioeconomic development. $31.95/**$15.50**

1453. **The Perspective Of The World: 15th-18th Century (Civilization and Capitalism, Vol. III).** *By Fernand Braudel.* This volume completes Braudel's masterful trilogy. $35.00/**$18.50**

7252. **The Shadow Warriors: O.S.S. And The Origins Of The CIA.** *By Bradley F. Smith.* $20.75/**$14.95**

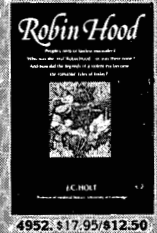
(First price is publishers' list. Boldface shows Members' Price.)



5652. $15.95/**$10.95**

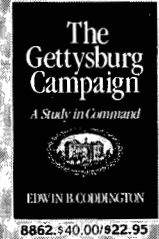
1859. $15.00/**$10.50**

6387. $14.95/**$11.50**

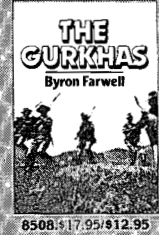


4952. $17.95/**$12.50**

1198. $22.50/**$15.00**



8862. $40.00/**$22.95**



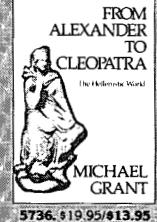
8508. $17.95/**$12.95**

8268. $20.00/**$14.00**

1180. $19.95/**$14.50**

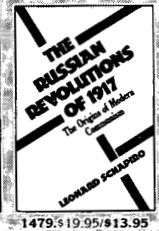
6957. $30.00/**$19.95**

1503. $16.95/**$12.95**

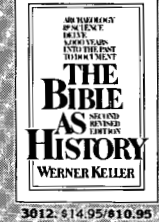


5736. $19.95/**$13.95**

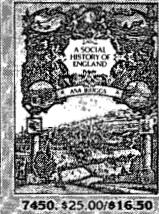
8581. $19.95/**$14.50**



1479. $19.95/**$13.95**

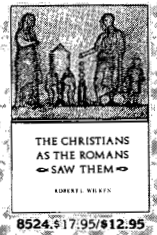


3012. $14.95/**$10.95**



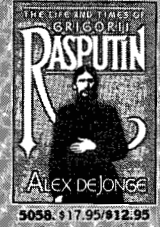
7450. $25.00/**$16.50**

8474. $19.95/**$14.50**

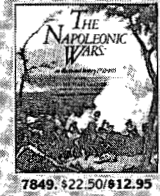


8524. $17.95/**$12.95**

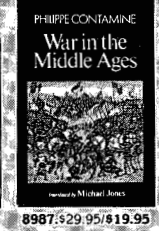
7187. $20.00/**$14.50**



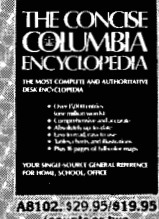
5058. $17.95/**$12.95**



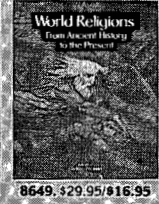
7849. $22.50/**$12.95**



8987. $29.95/**$19.95**



A8102. $29.95/**$19.95**
(counts as two of your three selections)



8649. $29.95/**$16.95**

Take any 3 for 99¢ each.

(values up to $105.00 with Trial Membership)

No matter what areas of history you enjoy reading about most, you'll find that The History Book Club offers some of the finest selections being published today. And no book club we know of offers greater savings—an average of 33% off publishers' list prices.

You can save even more by taking advantage of our Introductory Offer. Select any 3 books on this page for 99¢ each (values up to $105.00) when you take a fourth book at the low Members' Price. Your total savings as a Trial Member, including the Introductory Offer, can be more than 50%.

How the Club Works: As a Club member, you'll be able to choose from the 150 to 200 books featured each month. Our books are always equal to the publishers' editions, never "economy" reprints, and available at savings of $3, $4, $5, or more, off bookstore prices. You need take only four more books in the next two years, after which you'll save even more through Bonus Books that you may choose from our entire list.

Every four weeks (13 times a year), you will receive our *Review* and a dated reply card. If you want the Editors' Choice, do nothing—the book will come automatically. If you want another book, or no book at all, return the card by the date specified. (Book shipments will be charged to your account at low Members' Prices plus postage and packing.)

If you should get an unwanted book because you had less than 10 days to decide, you may return it and pay nothing. We guarantee postage.

THE HISTORY BOOK CLUB, Dept. N,
40 Guernsey Street, Box 790, Stamford, CT 06904-0790

Please enroll me as a Trial Member and send me the four books whose numbers I have entered below. Bill those on the left at 99¢ each and the fourth at the low Members' Price, plus postage and packing.

[ ] [ ] [ ] [ ]

I may return the books within three weeks at your expense and owe nothing. Or, I will buy four more selections within the next two years *(not counting my choices above).* Membership is cancellable anytime thereafter. All Club purchases are at low Members' Prices, and a postage-and-packing fee is added to all shipments. RE-09SK

Print Name

Address Apt. #

City State Zip

In Canada: Mail to U.S. Address

THE HISTORY BOOK CLUB

CO85A

Overwhelm Your Favorite Driver

The perfect gift is more than a surprise; it hits the mark. If there's a driver on your list, you can give ESCORT or PASSPORT with absolute confidence. Here's why:

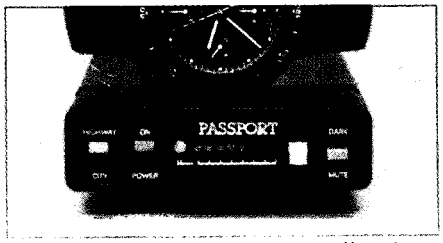
Head Of The Class

Car and Driver magazine rated ESCORT number one in its most recent test, calling it "...**clearly the leader in value, customer service and performance...**"

In fact, in the six years since its introduction, ESCORT has become the classic instrument of radar detection.

PASSPORT is brand new. For the person on the move, switching between cars or using rentals in distant cities, it provides ESCORT performance and features in a convenient miniaturized package. You can carry it in your pocket like, well, a passport.

The SMD (Surface Mounted Device) circuitry that made PASSPORT possible is simply light years ahead.



PASSPORT is only ¾" tall and 2¾" wide.

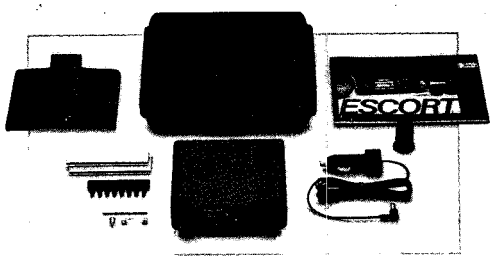
First Class Performance

When radar is out there, the superheterodyne circuitry in ESCORT and PASSPORT will find it: over hills, around curves, hidden in the bushes, anywhere. But that's just half the story.

Just as important is the unique way they give you a full, easily understood report on the radar they find. ESCORT has led the way with its variable pulse audio warning, analog meter and amber alert lamp. These all work together to give you a precise indication of radar type and range. In PASSPORT, a bar graph of eight Hewlett-Packard LEDs replaces the meter. This allows the same thorough radar report in a pocket-size package.

Attention To Detail

The main point of a radar warning device is performance, but the perfect gift brings something more: pride of ownership. Both ESCORT and PASSPORT are finely-crafted instruments that look right at home in a Porsche, Mercedes, or any car.



ESCORT and PASSPORT come complete with accessories.

Apart From The Crowd

While our system of factory-direct sales was not designed specifically for gift givers, it does offer some rather special benefits. For example, you needn't worry about buying a discontinued model still in a store's stock. Your gift will never be seen marked down in the discount chains. More importantly, giving either ESCORT or PASSPORT shows you were concerned enough about quality to track down the only source. And there's one more advantage.

Easy Shopping

ESCORT and PASSPORT let you do your Christmas shopping by phone and avoid the retail hassle. We're only a toll-free call and a parcel delivery away.

Most important of all, ESCORT and PASSPORT are guaranteed to please. Holidays or anytime, take the first thirty days as a trial. If you're not absolutely satisfied, return your purchase and we'll promptly refund your money and your mailing costs. We also back ESCORT and PASSPORT with a full one-year limited warranty.

Car and Driver called us the "class act" in radar detection. So order now, and let ESCORT or PASSPORT overwhelm your favorite driver.

Order Today

TOLL FREE 800-543-1608
IN OHIO 800-582-2696
(Phone M-F 8-8, Sat 9-5:30 EST)

PASSPORT™
RADAR·RECEIVER

$295 ($16.23 tax in OH)
Pocket-Size Radar Protection

ESCORT®
RADAR WARNING RECEIVER

$245 ($13.48 tax in OH)
The Classic of Radar Warning

Cincinnati Microwave
Department 100-013-F02
One Microwave Plaza
Cincinnati, Ohio 45296-0100

© 1984 Cincinnati Microwave, Inc.